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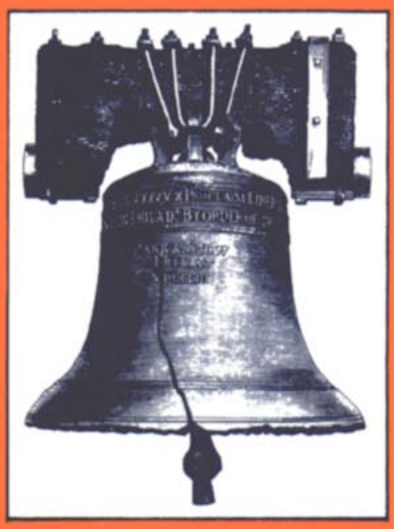
IDEAS ON LIBERTY



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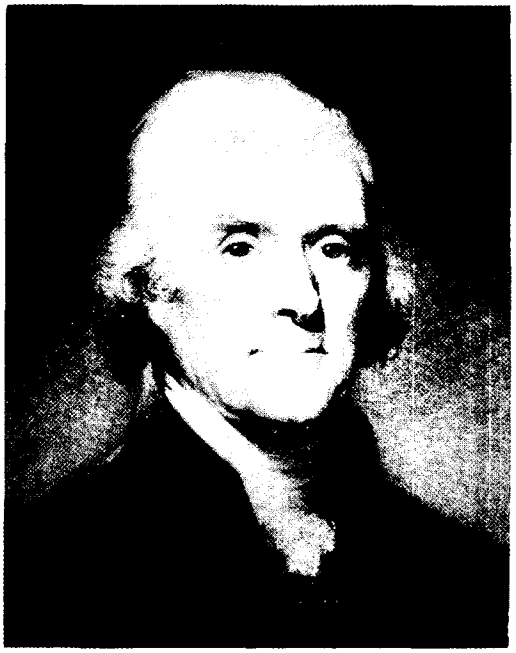
PERSPECTIVE



Thomas Jefferson

A Fourth of July Pledge

". . . [T]he mass of mankind has not been born with saddles on their backs, nor a favored few booted and spurred, ready to ride them legitimately, by the grace of God." Thomas Jefferson, who wrote those words on June 24, 1826, was the author of our Declaration of Independence.

He had been invited to attend the festivities in Washington on the occasion of the 50th anniversary of the signing of the Declaration. Jefferson, then 83 years old, regretted that ill health prevented his accepting. "I should, indeed, with peculiar delight, have met and exchanged there congratulations personally with the small band, the remnant of that host of worthies, who joined with us on that day, in the bold and doubtful election we were to make for our country, between submission or the sword."

Jefferson rejoiced "that our fellow citizens, after half a century of experience and prosperity, continue to approve the choice we made. May it be to the world, what I believe it will be, (to some parts sooner, to others later, but finally to all,) the signal of arousing men to burst the chains under which monkish igno-

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rance and superstition had persuaded them to bind themselves, and to assume the blessings and security of self-government. That form which we have substituted, restores the free right to the unbounded exercise of reason and freedom of opinion. All eyes are opened, or opening, to the rights of man. . . . These are grounds of hope for others."

This was the last letter Thomas Jefferson wrote. He died on that Fourth of July.

Since that 50th anniversary of the Declaration's signing in 1826, the rights of countless millions to life, liberty, and the pursuit of happiness have been tragically snuffed out and violated. Yet today, as in Jefferson's time, many "eyes are opened, or opening, to the rights of man." Progress is being made in some respects. As Jefferson wrote, "These are grounds of hope for others."

It is fitting and proper to join Jefferson, especially on the Fourth of July of each year, in reaffirming our dedication to individual freedom under limited government. In Jefferson's words, "For ourselves, let the annual return of this day forever refresh our recollections of these rights, and an undiminished devotion to them."

—BBG

Chinese Revolution

"Nobody gives up power willingly. The Communist Party isn't going to give up power. I don't know what shape another revolution might take. The Cultural Revolution [launched by Mao in the mid-1960s to regain power within the party] was a revolution from above. We need one from below." (from an interview with a Peking University student, reported in *The Wall Street Journal,* January 8, 1987.)

For more on the subject, see Donald J. Senese's "China's 'Free Enterprise' Experiment" on page 265.

Freedom Is the Antidote

A recent study of deaths due to man's inhumanity to men tells just how elusive the goal of "Peace on earth, goodwill to men" has been.

R. J. Rummel of the University of Hawaii calculates 35 million people have been killed by wars so far this century. Over three times that number, however, 119 million, have been killed by their own governments. Of that total, 95 million were killed by communist governments. Only 800,000 were killed by democracies, and a major part of that was refugees repatriated to Russia at the end of World War II by the democracies.

Nikolai Tolstoy's book, *Stalin's Secret War,* confirms in vivid detail how Stalin killed millions in his lust for power, and the killing continues. Up to two million Cambodians were killed when the communists took over. Millions are being starved in Ethiopia today, just as Stalin starved ten million in the Ukraine to eliminate dissident factions.

Rummel's conclusion from his study is that "Absolutism, not war, is mankind's deadliest scourge." He also concludes that "Absolutist governments . . . are themselves the major factor causing war . . ."

Absolutism is defined as "The political doctrine or practice of unlimited power . . . vested in a monarch, dictator, or oligarchy," and tyranny is a synonym. That definition certainly fits communism as practiced by the Soviet Union today.

The opposite of tyranny (absolutism) is, of course, freedom. If tyranny is mankind's greatest scourge, then freedom is the antidote to promote "Peace on earth, goodwill toward men."

—Elmer Fike
President, Fike Chemicals, Inc.
Nitro, West Virginia

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Property Rights and the First Amendment

by Lance Lamberton

The First Amendment to the U.S. Constitution has long been regarded by practically every hue of the political spectrum as the most sacred and revered of all political rights and guarantees provided the American people; as indeed the cornerstone upon which all other rights are based. Yet despite this broad consensus, application of the First Amendment has been uneven, to the point where there is now a plethora of views within American jurisprudence as to what constitutes an appropriate constitutional exercise of freedom of speech. How is it that such a seemingly straightforward and articulate statement of this most basic freedom has become so mired in controversy?

To answer this question, and to find a way out of the perplexing confusion which surrounds the First Amendment, it is necessary to determine the proper philosophical underpinnings upon which it is based. The First Amendment, as with all political institutions and ideas, does not exist within a void. It is based upon a view that freedom of expression is a positive good; that without it citizens are defenseless against capricious and tyrannical acts of government—which by having a monopoly on the legal exercise of force—will be able to stifle dissent against actions which violate the rights of its citizens. So in essence, freedom of speech exists to enable the exercise of rights which the founding fathers regard as unalienable; the rights to "life, liberty and the pursuit of happiness."

In the course of human history, the idea that citizens have the unfettered right to express themselves is relatively new, owing its genesis to Age of Enlightenment philosophers. Prior to that, it was generally assumed that either the state or the church had ultimate sovereignty over one's life, liberty, and property, and that the individual had no a priori claim over such rights. Thus, the great struggles which bloodied the pages of history before the Age of Enlightenment were between the conflicting claims of church and state over the soul and property of man.

It was the English philosopher John Locke who first made popular the idea that it was neither the church nor the crown who had first claim upon the life and property of man, but that those rights resided in the individual himself. In laying the foundation for his startling theories, he maintained that private property rights are the cornerstone of all other rights. By "mixing one's labor" with the soil the individual obtained a property in the product of his labor. Thus, any state or religion which abrogated that property was engaged in theft and violation of the conditions necessary for life to have meaning, fulfillment, and efficacy. To the extent that the individual was not free to enjoy the fruits of his labor, he was unfree and a slave.

Property Rights Antecedent to Free Speech

It was out of this philosophical heritage that America's founders created a new nation, based on the principle that each individual is a sovereign within his own right, free to enjoy the blessings of liberty, and free to realize his

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true potential without interference from church or state. Property rights then became the acknowledged foundation upon which other constitutional freedoms rested, including freedom of speech. It was not until this century, when private property came under relentless ideological assault, that the First Amendment was subjected to ambiguous and convoluted contention.

Indeed, it is the failure to recognize property rights as the antecedent of free speech that has led to uneven, conditional application of the First Amendment in the twentieth century. Why is this so? First we need to look again at what "life, liberty and the pursuit of happiness" really means. By having the right to "life," we own, from the moment of birth, our life, which no one has the right to take away. Since infants and children cannot sustain their lives without support from adults, parents and/or guardians have an obligation to sustain that life with their labor. That does not mean, as it would with inanimate objects and animals, that adults, by mixing their labor for the maintenance of children, have a "property" in the child. That would make children slaves, and would deny them their unalienable adult rights to liberty and the pursuit of happiness. However, it does give parents and guardians the right to restrict a child's freedom until the child reaches sufficient maturity where it is possible for him to make decisions about his own welfare and where he at least has the potential to be self-supporting.

Once a child evolves to maturity, he can then exercise his "liberty"; meaning he can be free to take whatever actions he deems appropriate for his happiness and well-being, provided in so doing he does not restrict the rights of others to exercise their liberty. John Stuart Mill, the nineteenth-century utilitarian philosopher, put it succinctly when he wrote: "The right to swing my arms in any direction ends where your nose begins."

So by "life" man is free from the right of another to take that life without consent, and "liberty" is freedom of action. Unfortunately, many civil libertarians who appear to be in the forefront of defending the First Amendment are content to rest their case for free speech on life and liberty precepts, and look no further, ignoring the significance that the "pursuit of happiness" plays in protecting and preserving freedom. For once an individual has liberty of action, it is essential, if that freedom is to have meaning, that he be able to realize the fruit of his liberty. It is a shallow liberty indeed if he is not free to exchange voluntarily with others the product of his efforts on terms that are mutually agreeable.

With a consistent application of property rights, where all property but essential government facilities are held privately, conflicts which currently abound over where the proverbial nose of another begins would virtually cease. Within the confines of private property, the property owner would have undisputed right to determine the kind, extent, and terms by which speech could be exercised. Thus, the irreconcilable disputes over, for example, what speech should be permitted in public schools would become irrelevant. This is because a pure application of private property rights would preclude the existence of public schools, since they are supported by taxes, and taxes are the involuntary expropriation of property by force.

In today's polity, this is a radical statement, yet how else can taxation—and the "public" property on which it is founded—be viewed? For despite the bold pronouncements of Enlightenment philosophers that the individual has absolute sovereignty over his life, liberty, and property, the twentieth century, up until very recently, has seen a resurgence in the statist doctrines which held man in bondage to others. With that resurgence has come an enormous increase in the taxing powers of the state, to the point where the average American surrenders more than forty per cent of his earnings to government.

Not surprisingly, freedom of speech, as with most other freedoms Americans take for granted, is perched on an increasingly shaky foundation. Without a comprehensive philosophical base built on the sanctity of property rights, the vagaries of each First Amendment Supreme Court decision are as uncertain and unpredictable as a loose cannon on a rolling deck, and the task of protecting First Amendment rights in the face of a growing public sector seems to become ever more difficult. As

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I shall argue later, a counter-trend is developing which is slowing, and now seems to be reversing this otherwise inexorable process.

Returning to the issue I alluded to earlier, where freedom of speech issues become irreconcilable with the existence of public schools, it is instructive to look at the famous 1962 and 1963 Supreme Court decisions which banned prayer in the public schools. These rulings were made on behalf of a nonreligious minority of parents who felt that religious observance was being forced upon their children without their consent. As contributors to the public school system, and consistent with First Amendment guarantees of separation of church and state, they were within their rights to have the prohibition imposed. Yet what of the rights of the majority of parents who also contribute to the school system, and would like to have prayer in public schools? Are they not entitled to consideration for what they judge to be in the best interests of their children? Given the existence of public schools, whereby the entire community is forced to contribute through the imposition of taxes, there is no way to equitably resolve the inevitable conflicts over publicly held property. No matter how the conflict is ultimately resolved, someone's property rights will be subordinated, without their consent, to the wishes and desires of others.

However, in a society without public schools, First Amendment rights would not become an issue. Parents who wished their children to partake in religious observances in school would be free to choose the school which offered it. Alternately, parents who do not want religion in school, could likewise choose schools which provided that option. Neither the religious nor nonreligious would be imposing their preferences on each other's children, with the rights of both being respected. It can be argued that those options are available today, and that parents can send their children to religious schools, but that does not negate the fact that they are still forced to contribute to schools they neither use nor approve.

Another area where the First Amendment comes into conflict is the right to assemble, march, and speak on public roads and in public parks. In the Supreme Court case, *Clark* v. *Community*, the Committee for Creative Non-Violence took legal action against the U.S. Park Service for imposing a ban on camping in Lafayette Park, which is across the street from the White House in Washington, D.C. The Supreme Court ruled in favor of the Park Service, accepting their argument that to allow camping would impose excessive wear and tear on the park, thereby reducing the aesthetic value of the park for visitors who pay for its maintenance through their taxes. Thus, the interest of the taxpaying public was upheld over the interests of those who wish to engage in symbolic speech on land which they have just as much a claim to as visitors and tourists.

Solving the Problem of Rights in Conflict

The same sort of conflict arises whenever the streets are used for demonstrations and marches. While few would want to deny the rights of most groups to use the streets for this purpose, nevertheless, the rights of motorists who pay taxes to maintain the roads are being violated. The problem then arises in trying to determine how often and how long may a group use the streets for protest, versus the rights of motorists to use the streets which their taxes support for commercial and personal use. Would a proper interpretation of the First Amendment permit a given street to be given over to protest once a week, once a month, once a year, or none of the above? What formula could be applied which would equitably and fairly distribute the publicly owned streets between motorists and protesters? For that matter, how about nudity on public beaches? Must the minority of taxpaying citizens who support public beaches and wish to enjoy them in their birthday suits have their wishes subordinated to the majority?

Again, as with the public school illustration, if roads and beaches were all privately held, then protesters and nudists could contract with the owners of such property for usage under whatever mutually agreeable terms could be arranged. Adjudication and rights conflicts would not exist in a society which did not recognize the right of government to seize a portion of its citizen's property without their consent.

Defenders of the status quo will claim it is

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possible, under such an arrangement, that some groups, because of the unpopularity of their ideas or behavior, would not have the means to exercise their "freedom" to speak or disrobe because there may be no property holders willing to offer them terms for use of their property; or failing that they may not have the resources to meet the terms which might be offered. Yet do these hypothetical circumstances legitimately constitute an unconstitutional restriction on First Amendment rights?

On the contrary, property rights prevent some individuals from seizing the property of others to promulgate their own views or activities. It is no more a denial of freedom to prevent the use of private property to exercise speech which the property holder does not approve, than it is a denial of freedom to not allow property to be taken from the affluent to the indigent so that the indigent may have the "freedom" to enjoy Iranian caviar or Dom Perignon champagne.

As long as individuals have the rights to life, liberty, and property, they will always have the freedom to obtain the means to exercise their freedom of speech. If the talents and energies of those holding unpopular views are sufficient, they will be able to earn a forum within the marketplace of goods and ideas. Instead of fearing that there would be less opportunity for expression in a society which holds private property as an absolute, there is every reason to expect there would be more.

Take, for instance, the striking contrast between what is available to the public through the printed versus the electronic media. In the United States, where private ownership of the press is widespread, there is no limit to the avenues of expression through that medium. On the radio and TV airwaves, however, where a "property" in airwave channels does not exist, broadcasters are subject to censorship, where airing offensive programming risks the prospect of a license not being renewed. In 1931 the Federal Radio Commission (precursor to the FCC) denied the renewal of a broadcasting license to a Mr. Baker, who operated a station in Iowa. The Commission ruled that Mr. Baker's ". . . cancer cure ideas and his likes and dislikes of certain persons and things [and] his infliction of all this on his listeners is not the proper use of a broadcasting license." (Decisions of the FRC, Docket No. 967, June 5, 1931)

In a more recent case, the FCC threatened the nonrenewal of a Honolulu radio station's license because the station broadcast libertarian programs several hours a day for two years. When the FCC opened lengthy hearings in 1970 to consider nonrenewal of the station's license, the threatened cost forced the owners to shut down.

Such forms of censorship could be prevented by homesteading the airwaves, and abolishing the restrictive franchises which currently exist with cable TV. In this way, consumers would be offered a greater variety and higher quality of programming instead of the bland, noncontroversial fare now available.

Admittedly, the policy prescriptions advocated here for clearing up conflicts relating to the First Amendment depart so radically from current realities that it may appear pointless to even suggest them. Yet history has shown that ideas are a powerful force for achieving change. When allied with technological advances, the possibilities are limitless.

Already, the remarkable advances in telecommunications and computer technology, combined with a growing appreciation for free market economics, are creating something of a revolution within the FCC, where the emphasis is increasingly upon deregulation and privatization of the airwaves. The provision of services formerly considered the exclusive domain of local government is being increasingly called into question, as are exclusive government-sponsored franchises such as electricity, telephone service, and the exploration of outer space.

Even the sacred cow of universal public school education is coming under indirect assault with the policy initiatives of the Reagan Administration for tuition tax credits. While it would be naive to assume that the public schools or the interstate highway system will be privatized any time soon, the powerful trends toward greater recognition and appreciation for the free market—and the private property concepts on which it is founded—bode well for the furtherance of First Amendment protections over the long term. □

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Amelioration

by Philip J. Bowers

In May, 1927, when my father was a boy of 13, a "personage" of his town stopped by to visit one day. It was a time when aviators risked their lives, usually at a loss, to fly the Atlantic for the first time. Reports of plane crashes, aborted flights, and missing pilots filled the newspapers of the day.

My father listened intently to this august visitor, who stridently declared that no one would ever fly the Atlantic. One week later Charles Lindbergh made it to Paris alone—by plane. The visitor's impromptu speech impressed my father indelibly. The short span between prediction and contradiction provided him with a lesson he carried the rest of his life: never say never.

Dad grew up and lived in an age in which he expected, as a matter of fact, change for the better. I call this expectation amelioration. He watched the automobile replace the horse-drawn milk wagon, he heard the radio bring opera into people's homes on Saturday afternoons. He saw air mail become a mode of quick delivery, talking movies displace vaudeville. As a boatsman, he benefited from mass production which delivered affordable boats to the man in the street. He saw the outboard motor change from a finicky, noisy, "handyman special" to a quiet, dependable, and easily obtainable means of recreation. He watched racing boats improve their top speeds from 30 some miles per hour to well over 200 miles per hour. On an experimental basis, he built the first steel-framed houses east of the Mississippi in the late 1930s. At the same time, he built the first garden apartments in New Jersey—a daring venture.

Mr. Bowers is President of Benchmark Projects, New York, N.Y., and a contracting project manager and planner in the computer systems field.

A Shared Experience

That was about the time I arrived on the scene. As I grew, I learned to share Dad's sense of amelioration. Together, we watched the airplane displace the steamship as the primary mode of travel across the seas. We witnessed the disappearance of polio and smallpox. Together, we realized our dream of actually seeing the man, as he spoke, on the radio. We saw racial discrimination, particularly on the small town, day-to-day level, diminish significantly. We watched plastics become the "wave of the future" in the 1950s and 1960s. And in the summer of 1969, together we participated in Neil Armstrong's "one small step" upon the moon. In 1971, Dad passed on.

Dad's legacy was wonderment—the ability to look at the world with kid-like awe, excitement, and caring. He saw the world as basically good, and the people in it, as benevolent. He viewed the Hitlers, Stalins, Mussolinis, and Tojos as mere aberrations—temporary departures from the norm. He kept his focus on the world's long-term improving conditions. He maintained a benign, loving, custodial watch

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upon his world, of which he took proud emotional ownership.

Dad had handed me the torch of amelioration. Now, the only noticeable difference in a progressively better world is its accelerating rate of change. In the computer industry for 20 years, I've not only seen enormous change, but I've actively participated in it. At IBM in the late 1960s, I continually encountered change—often on a daily basis. The Personal Computer, although predictable, still amazes me. Consider that in 1967 I sold a "small" business computer that was 1600 times less powerful and about 20 times larger than the PC for well over $300,000.

I wish Dad were around to see, for example, automatic teller machines. Imagine getting cash from an unattended machine on a Sunday evening! Or the skyline of New York City. We're putting up 50-story apartment buildings like they were row houses. I live in a building whose population is half the size of the town where I was born. We truly live in remarkable times.

Part of Dad's legacy of amelioration was his sense of participation in the "American experiment." I was seven when World War II ended. Dad returned from a devastated Europe. Then America stood alone among the nations of the world as a tower of strength, a far more desirable country in which to live than any place else on earth.

Dad transmitted to me his sense of gratitude for having been born here. His descriptions of what it would have been like to grow up in Nazi Germany, Soviet Russia, or even France, instead of the U.S., stuck with me. I remember late-night air raid practices in which my entire home town turned out all lights. The sirens and visits from our block's Civil Defense warden scared me. And I knew that my four- and five-year old counterparts in Germany, Russia, and France were dying from real bombs. Scared as I was, my heart went out to those children who were suffering so terribly.

At an early age, I knew we held something precious. I wasn't sure what it was, but I resolved to find out. Whereas Dad marked progress with enthusiasm, I also wondered from whence it came. Along the way, I concluded that it had something to do with the ideas people carried, how people treated each other, and how they organized. I realized, too, that it had something to do with enthusiasm. I noticed that my own enthusiasm could move mountains.

Further on, I concluded that the organization of one's government, particularly with regard to economics, was a key. As a young adult, I began to see the deleterious effects of dictators upon South American, Eastern European, and, later, African countries. I began to see that incentive, a textbook term for enthusiasm, was critically important.

No experiment could have created better comparisons of the effects of contrasting organizations than the real-world differences between East Berlin and West Berlin, East Germany and West Germany, mainland China and Taiwan or Hong Kong, between North Korea and South Korea, between Japan and Cuba, between Switzerland and Albania, between the free and the unfree. There was definitely something to be learned here.

My Amelioration: Freedom

And so it is, now: I see that freedom is all. I see the world constantly striving for it. I see freedom as arising from a fundamental yearning within me and my fellow humans. It is the expression of a desire to create a world in which mutual consent operates maximally and force is kept to a minimum. It is the institutionalized manifestation of the very human desire to express good will and benevolence.

For me, my amelioration, the ability to perceive the world as moving in a direction of being a better place to live, is freedom. As custodian of my amelioration I raise my voice in support as I see the peoples of the world getting more and more freedom. With great delight, I see a vast, unheralded, underlying, and fundamental movement toward more freedom.

As I see it, despite the last few decades' atrocious genocides, the arms buildup, and the heavy-handed tactics of dictators around the world, the man in the street in Jakarta, Shanghai, Havana, and even Leningrad will laugh dictators off the podium. It has already happened recently in Jamaica and the Philippines. For my money, the communist/socialist/

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totalitarian/authoritarian/dictatorial ideal has been a philosophical dead letter for decades. As a planet, we are in the process of mopping up the after-the-party debris which may take another couple of decades. The trend reminds me of the wholesale deposition of kings which occurred between the late 1700s and the early 1900s.

Economic Miracles

The prospects are exciting. "Economic miracles" are popping up all over the place. We are inured to their commonplace. West Germany and Japan were among the first. Now there are places in South America, India, and even Africa where similar "miracles" have occurred. In the last thirty years in South America, those who live under elected governments have increased from 20 per cent to well over 90 per cent—unimaginable in the 1950s and 1960s.

Every day brings another example of economic freedom and improving conditions somewhere in the world. France, a socialist country, is "privatizing" industry and removing price and credit controls after their disastrous experiment. Australia, another quasi-socialist country, is loosening up its economy in the direction of economic freedom. In the past year or so, Ecuador has eliminated most price controls, reduced many tariffs, and cut the public sector payroll significantly.

Turkey is liberalizing its economy more than it has done since the Ottomans. Ireland has recently deregulated its airlines with salubrious effects. Austrian socialists are dropping marginal tax rates, just like the U.S. India is a sleeping giant preparing its own bed of liberalization. We have already heard of the undreamed of liberalization attempts in China. Eastern European countries and even Soviet Russia are seeking market or quasi-market solutions to their horrendous economic problems.

We have all noticed that the world is "getting smaller." Technology has provided us with instant communications and rapid travel. It is very difficult to reverse (some postulate that technology is irreversible—i.e., you cannot put the genie back into the bottle). This "smallness" of the world allows members of country X to look easily over their shoulders and see what's going on in country Y. It allows people to view "real-world" examples of the effects of contrasting policies.

Not only is it (and will be) more difficult for centralized, authoritarian governments to hide the successes of more liberal governments from their own people, but also it is (and will be) easier to answer "what if" questions with more certainty. If someone were to postulate an extraordinary idea such as privatizing and deregulating, say, the post office, one can (and will) more easily look around and find a country which has already shown it can be done.

This phenomenon is known as the Demonstration Effect and has (and will) put governments in positions of *de facto* competition with each other in serving their citizens' interests. It provides a powerful tool for promulgating the policies which work best at the expense of those which work least. From my point of view, those which will prove to have worked best will invariably be policies which move away from authoritarianism toward the ideal of freedom.

Passing the Torch

This, then, is the dream and the promise. It carries with it Dad's axiomatic view that each generation of humans across the globe has it in its power to ameliorate its conditions and to leave behind a better world for its having been there. With great care, I pass this treasure on to you. □

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Productive Advances: Who Benefits Most?

by Joseph S. Fulda

The free enterprise system allows inventors and investors to reap the rewards of creativity and risk. But in a market economy, those who gain *most* from the productive advances thought of by inventors and funded by investors are the poor.

Let us examine several productive advances and see to whom the benefits accrue. Consider first the printing press. The very rich had scribes and private secretaries do their clerical work, but the very poor are now literate in numbers once deemed impossible. Or to move up the centuries, consider the television. The rich had hours of leisure and the funds for private entertainment to fill them. The poor, however, now have an entertainment cornucopia undreamt of in earlier ages. As a third example, consider air travel. The rich were able to afford weeks of travel by land or sea, while their properties continued to generate income. Those less well off, on the other hand, would never see distant lands or relations without air travel. Or consider antibiotics, one of the twentieth century's miracles. The rich who live in sanitary, spacious quarters have had less need of these wonder drugs than those who occupy crowded, unsanitary, slum areas. Finally, consider that mundane appliance, the vacuum cleaner. The rich often have others do their housekeeping. Their housekeepers, in contrast, have had their jobs simplified and their hourly output increased by the vacuum cleaner's invention.

From little things to big things, the principle holds. Productive advances help everyone, but most of all the less well-to-do.

This is hardly limited to inventions and discoveries, but applies to improvements in productive methods as well. Who has been helped the most by specialization, mass production, automation, and robotics? The rich consumer could always afford the work of the skilled craftsman, but the poor shopper depends on the economies of modern technology and productive methods for the wide variety of household items from which he chooses. Likewise, advances in these productive methods may enrich the factory owner, but it is his workers whose jobs over the decades have become lighter, more meaningful, and better paid. Nor is this observation true only of blue collar workers. From the pencil to the typewriter to the electric typewriter to the word processor, the jobs of the lowest-paid, white-collar workers have also become lighter, more meaningful, and better paid.

Nor have all these advances thrust millions into idleness (although there is some temporary dislocation), as the doomsayers have warned. Rather, mankind's energies have been channeled more and more into the good things of life and less and less into its bare necessities.

Government with its power to tax has not been the cause of the remarkable improvement in our standard of living over the years. Only productive advances make the same physical effort count for more and more and only economic growth so arising can truly increase everyone's rewards. And when productivity is enhanced and the economy grows, it is the poor who are most lifted by the rising tide. □

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The Pursuit of Happiness

by William C. Dennis

The occasion of the anniversary of the Independence of the United States of America traditionally has called for a few words about our institutions of Liberty. My few words combine three themes: the settlement of the Rocky Mountain West—a theme appropriate to our location here at Big Sky, Montana; the idea of Liberty—the special interest of our sponsor; and the Declaration of Independence itself—in remembrance of this particular anniversary.

I choose to call this address: "The Pursuit of Happiness." I think Jefferson intended to suggest by his now-famous phrase, that happiness, if it is to come at all, comes more through the pursuit than the acquisition. Whatever the scholarly debate on the meaning of this phrase may eventually conclude, Americans over the ages have acted rather practically on the implied suggestion of Jefferson that happiness comes from living an active life of freedom.

For most people, through most of human history, change was likely to bring personal hardship—holding on to the little one had was about all that could be expected—and even the *idea* of progress was inconceivable. But self-betterment was a real possibility in America, and the hope of personal improvement was one of the driving forces in American settlement. But it was not so much ease and comfort they sought, but opportunity. The restless mobility of Americans attests to the fact that material success by itself brought not happiness but boredom, and that too much security could be debilitating rather than liberating. Or at least so it once was; now times have changed. Perhaps we have lost some of the spirit of adventure in the pursuit of happiness once possessed by earlier generations.

I begin with a few stories of the westward movement. Let us look at *Journal of a Trapper,* by Osborne Russell. Russell was born in Bowdoinham, Maine in 1814 and died in Placer County, California, August 26, 1892. Maine was not yet a state at his birth and California was only an administrative province of the Spanish Empire. In April of 1834 Russell left Independence, Missouri, on what was to become a nine-year journey in the pursuit of happiness, heading for the Rocky Mountains as a fur trapper. Russell wandered all over the northern Rockies on incredible journeys of risk and daring.

Here, in his own words, is Russell's description of his Fourth of July, 1835, in Jackson's Hole in what now is Grand Teton National Park:

> Here we again attempted to cross Lewis' fork with a Bull skin boat July 4th Our boat being completed we loaded it with baggage and crossed to the other side but on returning we ran it into some brush when it instantly filled and sunk but without further accident than the loss of the boat we had already forded half the distance across the river upon horse back and were now upon a other shore. We now commenced making a raft of logs

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Sketch from *Journal of a Trapper*.

that had drifted on the Island on this when completed we put the remainder of our equipments about 2 oclk P.M. and 10 of us started with it for the other side but we no sooner reached the rapid current than our raft (which was constructed of large timber) became unmanageable and all efforts to reach either side were vaine and fearing lest We should run on the dreadful rapids to which we were fast approaching we abandoned the raft and committed ourselves to the mercy of the current. We being all tolerable good swimmers excepting myself, I would fain have called for help but at this critical period every one had to Shift for himself fortunately I scrambled to the shore among the last swimmers. We were now on the side from whence we started without a single article of bedding except an old cloth tent whilst the rain poured incessantly. Fortunately we had built a large fire previous to our departure on the raft which was still burning

I now began to reflect on the miserable condition of myself and those around me, without clothing provisions or fire arms and drenched to the skin with the rain

I thought of those who were perhaps at this moment Celebrating the anniversary of our Independence in my Native Land or seated around tables loaded with the richest dainties that a rich independent and enlightened country could afford or perhaps collected in the gay Saloon relating the heroic deeds of our ancestors or joining in the nimble dance forgetful of cares and toils whilst here presented a group of human beings crouched round a fire which the rain was fast diminishing meditating on their deplorable condition not knowing at what moment we might be aroused by the shrill war cry of the hostile Savages with which the country was infested whilst not an article for defense excepting our butcher Knives remained in our possession—(18-19)

Despite these miserable prospects, Russell did not expend much effort feeling sorry for himself. Indeed, his whole journal is laced with expressions of confidence and optimism in the face of adversity, of a sort all too lacking in today's far more comfortable world. For instance, here is from Russell's description of winter quarters 1836-37, located where Clark's Fork joins the Yellowstone River 11 miles west of Billings, Montana:

We all had snug lodges made of dressed Buffaloe skins in the center of which we built a fire and generally comprised about six men to the lodge The long winter evenings were passed away by collecting in some of the most spacious lodges and entering into debates arguments or spinning long yarns until midnight in perfect good humour and I for one will cheerfully confess that I have derived no little benefit from the frequent arguments and debates held in what we termed The Rocky Mountain College and I doubt not but some of my comrades who considered themselves Classical Scholars have had some little added to their wisdom in these assemblies however rude they might appear.(51)

Crossing the Snake

Russell knew that he was engaged in a risky business and knew from experience that things could go quickly and dramatically wrong, that life was never secure. For instance, listen to this passage from an earlier crossing of the Snake on 21 June 1835:

Here we were obliged to cross Lewis' fork which is about 300 yds. wide and might be forded at a low stage of water, but at present was almost overflowing its banks and running at the rate of about 6 mls per hour. We commenced making a boat by sewing two raw Bulls hides together which we stretched over a frame formed of green willow branches and then dried it gradually over a slow fire during the night 22d Our boat being completed we commenced crossing our equippage and while 5 of us were employed at this a young man by the name of Abram Patterson attempted to cross on horse back in spite of all the advice and

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entreaty of those present his wild and rash temper got the better of his reason and after a desperate struggle to reach the opposite bank he abandoned his horse made a few springs and sunk to rise no more—he was a native of Penna. about 23 years of age. We succeeded in crossing our baggage and encamped on the East side for the night. (14-15)

Russell was not insensitive about the loss of his young companion but he simply was aware that free men must accept certain risks, sometimes large risks indeed, if they were to accomplish anything of lasting interest with their lives, if they were to follow their dreams in the pursuit of happiness.

In Russell's world a man could act relatively freely on behalf of what he conceived to be his best interests. The gains of good decisions were largely his to reap. Errors in judgment were likely to be dramatically and swiftly brought to his attention. There were no licenses to be obtained, no regulations to comply with, no Environmental Impact Statement to file, no OSHA inspectors to appraise the risks and dangers of the trade, no Workers' Compensation for on-the-job injuries, and certainly no comprehensive medical and life insurance policies provided by his employer, the Charles River Fishing and Trading Company. Further, there were few records to be kept and no taxes to be paid. One wonders if the Rocky Mountain fur trade could be accomplished under today's regulatory regime.

Of course, Russell was an exceptional man in his own day. Most people did not head west; most did not willingly assume the risks of a fur trapper.

But Russell was not unique either—a spirit of daring, adventure, and risk acceptance was abroad in the land in America in the mid-nineteenth century. Here is another vignette of the trip west, of people out on the road in the pursuit of happiness—the Charlestown (Virginia) Mining Company, on the way to California in 1849. Some members of this company wrote of their Fourth of July in the following words:

Wednesday, July 4th

This is the glorious Fourth. The first dawn was ushered in by a noise from our six pounder, which reverberated, echoed & reechoed from hillock to hill, until the very earth itself seemed to tremble in fear at such strange noises. We determined to remain upon the banks of Green River to spend the Fourth. (134)

* * *

We rested all that day engaged in cooking, sewing, and washing. Tom Moore, from Harper's Ferry, Virginia, was selected as orator of the day. He stood on a large stump and had an Indian pole in his left hand to steady himself with. He had his right one free to make gestures with. Being the Fourth of July, our quartermaster issued whisky rations. Some had more or less, and some didn't have any. Those are the ones that didn't drink. We hadn't had our little cannon out of the wagon since we started, and we concluded that we would take it out that day and chain it to the stump. Moore felt pretty good, feeling the effects of his whisky, and everytime that he would say anything patriotic would touch the little cannon off, and the echo would bellow up and down the valley. The Indians, when they heard that cannon, would not come anywhere near us. (134-135)

Not mentioned in these particular journals was that this Fourth of July saw the convening of court to try a company member for murder. Not mentioned either on this holiday occasion were some of the risks they had already faced on the road. On June 20, for example, on their crossing of the North Platte River in eastern Wyoming:

Wednesday, June 20th

A very cold & unpleasant morning. Roads good & our course was along Platte. In about 5 miles we reached Deer Creek, a small stream of clear, good water. Crossed & went down to the [Platte] River, where we found several hundred wagons, which were to be crossed there. Our Captain determined on crossing at this point. We lashed our two sheet iron bodies together, & after unloading our wagons, commenced crossing the river with our luggage &c. It took us until after night, several times our boat washing below the landing. A young man named Drenner, from St. Clairsville, Ohio, in attempting to swim a mule over the river, was thrown off & drowned. Seven men have been drowned in attempting to cross the river in the last week. One wagon went on a raft several miles before it could be stopped. Caught some fine fresh fish today. Several hundred wagons here, busy at work crossing day & night.

[*Distance, 7 miles.* (111)

Similar illustrations could be taken from the records of other nineteenth-century adven-

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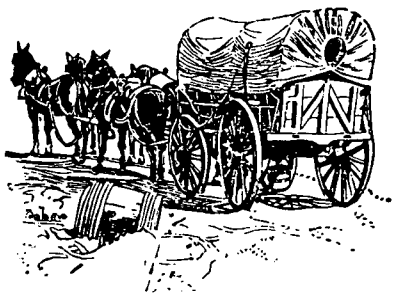
turers, from tales of the cowboy and the cattle baron testing their skills against the droughts and the blizzards of the high plains of Wyoming and Montana; of the miner trying to follow down a promising lead into the side of a mountain; of the sodbuster eking out a living on a lonely homestead on land better suited to sheep grazing; of the entrepreneur, whether bringing irrigation water across the Front Range to the farmers' fields, running a wagon line across the prairies from Leavenworth to Denver, or speculating in town sites and dreaming of the Caspers and Bozemans of the days to come. What Floyd B. Streeter, in his now classic *Prairie Trails and Cattletowns,* said of the wagoneers could be said about most of these people: "The rougher and more dangerous the road the better it seemed to suit them" (p. 10).

These were free men and women, I think. But they were not atomistic individualists isolated from the society-at-large. The fur trapper was the representative of great private firms engaged in tough international competition for the trade, a competition which brought the Rocky Mountain country to the attention of the western world. The trapper's lines of communication stretched back over the plains to St. Louis, his capital came from the east, his markets were in Europe. He was the representative of the expectant capitalist on the march. Mining operations quickly turned from the lone prospector to the organized corporation once the rich veins and easily panned creeks were exhausted. The famous Swan Land and Cattle Company outside of Laramie was a British corporation. Horace Greeley wrote of the wagon freightline firm of Russell, Majors, and Waddell, in 1857: ". . . Such acres of wagons! such pyramids of extra axle trees! such herds of oxen! such regiments of drivers and other employees! No one who does not see can realize how vast a business this is, nor how immense are its outlays as well as its income. I presume this great firm has at this hour two millions of dollars invested in stock, mainly oxen, lumber and wagons. (They last employed six thousand teamsters, and worked forty-five thousand oxen)."



Terry Anderson and P. J. Hill in their article "The Not So Wild Wild West" (*The Journal of Libertarian Studies,* Vol. III, No. 1) show how self-designed systems of law and order characterized western settlements as well. Americans in those days were willing to take the burdens of organizing their lives on their own shoulders and they established a number of creative formal and informal institutions to help manage social problems.

Solving Problems of Marketing and Supply

The rendezvous system of the fur trade solved problems of marketing and supply as well as providing what only can be called a helluva good time. Settlers claim clubs enforced informal rights to particular tracts of land and aided members in getting around the inefficient restrictions of Federal land law. Stockmen's associations grew up to deal with problems of allocating the open range, organizing roundups, running the livestock market, establishing brands, and policing ownership rights.

Justice as well as economic efficiency, and equity, was a concern of these informal systems. Here is one of my favorite descriptions of justice in action from an account of a wagon train to California in 1852:

> At about 11 A.M. we passed the camp where on Saturday, July 3, some emigrants hung a man for murder. We did not learn the names. The company chose a judge to preside over the trial, and a sheriff, who empaneled a jury of twelve men, who heard all the evidence, after which the judge charged the jury. The jury retired a short distance from camp, under the charge of the sheriff chosen by the company for the emergency, for their deliberation. In about twenty minutes they returned and informed the court that they had decided on a verdict. The foreman then handed their written

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verdict to the court, which read as follows: "We, the jury, do find the defendant guilty of murder in the first degree, as charged." Signed by all the jurors. The court immediately passed sentence on the defendant, to be hanged by the neck until dead, dead, dead, and may God have mercy on your soul. The company ran two wagons together, elevating the tongues in the shape of a letter "A," tying them together. On this improvised gallows the defendant was hung until life was pronounced extinct. Near by two graves were dug, one for the murdered man, the other for the murderer. Their burial being completed, the company started on their way. (170-171)

All this was done in just a few hours. Sometimes a hat would be passed among the wagons to provide a grubstake for the widows before the trains moved on.

The Charlestown Mining Company even had a constitution to guide their enterprise over the trail and on into the mining country. It provided for strong, even military, rule in time of crisis and set down rules for such diverse matters as the disbursement of funds, maintenance of moral standards, the admission and expulsion of company members, and the dissolution of the company—all in 22 articles.

Mining companies developed elaborate rules for allocating claims, settling disputes, establishing water rights, regulating mining activity, and electing officers to enforce the agreement. These rules were often so effective that they provided the basis for state mining codes.

On Their Own

Like most Americans these western pioneers were not averse to Federal aid when they could get it on their own terms—free grants of land, protection from the Indians, tariffs on sugar and beef imports, subsidies for transportation. But even so, their more typical view could be described as: Leave Us Alone. They accepted the risks of the pursuit of happiness and also the challenges of leading lives of free and, generally, responsible individuals capable of devising institutions to meet the needs of new environments without resort to central control and authority.

Only by the turn of the century, frustrated by the inability to acquire Federal land in economically efficient-sized tracts, and sharing to a degree in the largely unwarranted fears of the Progressives about monopolies, speculators, and the exhaustion of resources, did some westerners turn to the federal government for further aid—particularly in dealing with questions which continue to be of special concern to westerners.

It would be an exaggeration to claim that the western spirit of individualism and adventure, so characteristic of nineteenth-century Americans, no longer lives today. Despite burdensome regulations, over bearing bureaucracies, and high marginal tax rates, the willingness of Americans to dare greatly in the Pursuit of Happiness on their own terms seems alive and well, at least in certain parts of the nation.

The high tech industries of the computer revolution and the wonderful creations of the personal service and retail industries attest to the genius of the American entrepreneurial efforts. American scientists still garner a disproportionate share of Nobel Prizes. American agriculture, often to its own embarrassment, remains the productive envy of the world. The fields of both high culture and mass entertainment are growth industries that leave the lives of few Americans untouched by their creativity and it is hard to imagine another place in the world where more interesting creative achievements can be found. Scholarly researchers diligently labor in a huge variety of fields publishing their findings in a bewildering array of journals. At the newsstands the racks are laden with magazines to suit every conceivable taste and interest, a great material demonstration of freedom of the press.

Amateur and professional sportsmen continue to reach new heights of personal achievement, and an ever-increasing proportion of Americans include some athletic activity in the regular course of their lives. One of the activities of particular interest to me, that of mountaineering, seems to represent well some of the old virtues. In terms of physical conditioning, technical skills, mental discipline, and personal daring, American climbers continue to push forward the frontiers of possibility. This is an activity which especially requires its own society of free and responsible individuals where one must necessarily take charge of one's own

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life in an endeavor which, like the exploits of Osborne Russell, seems to most people to be foolhardy indeed.

Many of these developments are what one would expect from a successful and prosperous country in which the people still remain remarkably free to pursue their own interests. It is a good and pious act on the Fourth of July to remember how free and fortunate as a nation we are.

But I also sense another force at work in the land, less fortunate, less encouraging for the long run survival of Liberty. Some of our wealth increasingly seems to be used in an effort to develop an impossible sort of dream based on the belief that happiness is a static condition of security, that risks are somehow unfair, or at least now unacceptable, and that the costs of living should be widely shared through the mechanisms of political compulsion.

Once happiness becomes not a quality to be pursued and earned with one's talents and opportunities at some cost and with certain tradeoffs, but rather is seen as a condition of security, there is a great temptation to use political means to assure that security through a transfer of wealth. Further, the temptation grows to blame others when things go wrong and the desired security proves to be elusive. Such a social order will become not one of free and responsible individuals living in relative harmony with each other but instead a society characterized by irresponsibility and the fostering of contentious behavior.

The desire for security in and of itself is not unreasonable. We might differ where the line of reasonableness lies, but as long as each individual decides for himself what measure of security to purchase with his own resources, no problem exists. So it is not surprising that in a relatively rich country more security, just like more amenities, more luxuries, and more leisure, might be a desirable good. Therefore we find more resources devoted to good health, to insurance of various kinds, to contracts spelling out responsibilities for the reduction in occupational hazards, to safer mechanical equipment, to better warning and protection systems. But what is troubling is that as a nation we have gone beyond a reasonable purchase of reduced risk based on an individual's own evaluation of the costs and benefits of greater security. In certain circles these days, critics of U.S. foreign policy have claimed, rightly I think, that absolute security *vis à vis* other nations is not possible. But neither is absolute security from the dangers of life itself. After nine years of residence in what he called a "wild, inhospitable region," Osborne Russell moved on to the settlements in Oregon where he was nearly killed in a construction accident. As he wrote: expecting now to live "in comparative security free from the harassing intrigues of Dames Fortunes Eldest daughter but I found it was all a delusion for danger is not always greatest when most apparent. . . ." (126) Precisely so—and, I would add, apparent dangers are not always the most serious ones.

I have used up most of my available time commemorating the heroes of past ages—and by implication urging us on to embrace in our own lives their spirit of adventure. So now only a few minutes remain to develop this thought on the current misguided quest for security. But just look at recent headlines: the national campaign to raise the drinking age; compulsory seat belt laws; flood relief for farmers and emergency crop loan programs; new warnings on cigarette packages; compulsory cost-of-living pension demands; truck drivers shooting each other over rises in fuel prices; reduced speed limits on interstate highways; compulsory insurance taxes; unreasonable testing standards imposed on drug companies; the national cancer scare; the regulation of workplace conditions without regard to costs, risks, or contractual arrangements. One could go on. Your list would probably be different. And some of these examples, I confess, are more personal piques than matters of great national concern.

But just to push this point a bit further—and without making any judgments on the underlying difficult moral questions—here are a few more examples of what seems to be a growing interest on the part of many to avoid bearing the costs of their own interests and decisions: using abortion as a form of birth control; turning to the State for retirement programs for the elderly and child care for the young; petitioning the International Trade Commission for relief from foreign competition; passing the social cost of

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A nineteenth-century Independence Day celebration.

burning high-sulphur coal on to the nation at large; using public funds to promote recreation, aesthetic, and intellectual amenities for the few who enjoy them at the expense of many. Each of these examples illustrates a failure of people to take charge of their own lives—each reveals people acting, in effect, like children instead of adults, by denying the reality of cause and effect or by failing to act responsibly. Each violates the historic principles of the American version of the pursuit of happiness.

If the cost of all risk is going to be borne socially instead of individually and if society grows more "risk averse," if no one is truly accountable for his acts, and if, as it is said in *Alice in Wonderland,* "All have won the race, and all must have prizes," then the next step must be an increasing social regulation of behavior itself in an effort to control the costs of individual activity—the prohibition of tobacco, the requirement of seat belts and air bags, compulsory communal physical exercise, the political regulation of numbers of births, the rearing of children by the collectivity in order to save them from irresponsible parents, compulsory insurance participation of all sorts, child-safe medicine bottles, flame retardant sleepwear regulations, land use planning. Some of these examples are already in effect, others merely dreams in the mind's eye of "progressive" reformers. Hardly a day passes without the discovery of a problem somewhere and the declaration in high dudgeon at the existing situations, "There Ought To Be A Law!"

But as Osborne Russell said, the effort to escape all danger is a delusion which leads more to the loss of Liberty than to real personal security. We know that free societies have been rare throughout history; we know that Liberty can be eroded by incremental changes on the margin of action; we know too that the unfree society is the truly dangerous society, where productivity is limited, human misery high, and progress nil. Seeking security, rather than pursuing happiness; treating citizens like children, not adults; failing to protect the institutions which support Liberty and responsibility—these are dangers worth worrying about; these are dangers we know how to handle if we have the political will to do so.

Evelyn Waugh has an outrageous story entitled "Love Among the Ruins"—not, I fear, one of his better works—about a socialist Britain where everything is provided for and where all risks are socially managed. Life is secure, risks are minimal, but life is not happy. People are, literally, bored to death. But the State-managed economy is so inefficient that it cannot keep up with the demand for the services of the Public Euthanasia Centers and Crematoria by people seeking escape from the socialist Utopia. In Waugh's exaggerated satire we see a possible vision of the future to come.

On this occasion of the Anniversary of National Independence it is worth reminding ourselves once again that for the founding fathers the great historic division of the social order was not the rich and the poor, the black and the white, the educated and the ignorant, the lucky or the misfortunate, nor the healthy and the miserable, but rather the responsible and the unresponsible or, otherwise, the freeman and the slave. They stood then for Liberty. We should ask ourselves: Do we still stand solidly with them today? □

Note: Quotations in the text are from the following sources: Osborne Russell, *Journal of a Trapper* (Lincoln: University of Nebraska Press, 1955). *Trail to California: The Overland Journal of Vincent Geiger and Wakeman Bryarly,* ed. by David M. Potter (New Haven: Yale University Press, 1945), Floyd B. Streeter, *Prairie Trails and Cattletowns* (New York: Devin Adair Company, 1963), Herbert P. Eaton, *The Overland Trail to California in 1852* (New York: G. P. Putnam's Sons, 1974).

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Lessons in Liberty: The Dutch Republic, 1579-1750

by Robert A. Peterson

"The Dutch must be understood as they really are," wrote Daniel Defoe, "the Middle Persons in Trade, the Factors and Brokers of Europe . . . they buy again to sell again, take in to send out, and the greatest part of their vast commerce consists in being supplied from all parts of the world that they may supply all the world again."[1] What Defoe was describing was perhaps the freest society in Europe, the Dutch Republic. While Puritans and Cavaliers were still fighting each other in England—the nation we think of most as laying the foundation for freedom in the modern world—Holland served as a haven for refugees from both sides.

The modern world provides us with hundreds of examples of what happens when a nation adopts the philosophy and practices of socialism. Certainly we can learn from bad examples—about what not to do—but we can learn equally well from good examples. Unfortunately, such positive "role models" are few and far between. History does provide us with some, however,—Hong Kong comes to mind, as do nineteenth-century Britain and America. The Dutch Republic is one example that has been often overlooked.

Newly freed from Spanish oppression, the Dutch built one of the world's great civilizations. In art, it was the age of Hals, Rembrandt, Vermeer, and deHooch. Of this period historian Peter Gay has written, "Never in history has one country—and so small a country!—produced so many painters of such high caliber in such short time."[2] In science and philosophy, it was the age of Huygens and van Leeuwenhoek, and of Descartes and Spinoza. Finally, in commerce, it was the golden age of Dutch influence, as Dutch ships plied the oceans and explored the Tasman Sea and Barents Straits. By 1625, The Netherlands was engaged in more shipping than all other countries of the world combined. Yet, unlike many other nations, her prosperity was not built on military adventurism or expropriation from others, but on an underlying philosophy of freedom.

The prosperity and freedom that the Dutch enjoyed in the sixteenth and seventeenth centuries were largely the result of the interplay of various ideas which came together at the right time. First, through their constant struggle with the sea, the Dutch had developed into one of Europe's most disciplined and hard-working peoples. Second, the Dutch had recently experienced the tyranny of government intervention under the Spanish—and they found out that they didn't like it. After an epic struggle for freedom, the Dutch weren't about to allow their new rulers to govern with the same heavy hand. In Holland, old priests became new regents writ small. Third, there was the influence of Calvinism. Like most of Northern Europe, Holland had been deeply touched by the

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teachings of the Reformers. The Bible came to affect nearly every area of Dutch life, including politics and economics. Of the Bible's influence in creating the free society John Chamberlain wrote in *The Roots of Capitalism:*

> [O]ne needs no paraphernalia of scholarship to know that the commandment against murder is simply the other face of Locke's and Jefferson's "unalienable" right to life. "Thou shalt not steal" means that the Bible countenances private property—for if a thing is not owned in the first place it can scarcely be stolen. "Thou shalt not covet" means that it is sinful even to contemplate the seizure of another man's goods—which is something which socialists, whether Christian or other, have never managed to explain away. Furthermore, the prohibitions against false witness and adultery mean that contracts should be honored and double-dealing eschewed. As for the commandment to "honor thy father and thy mother that thy days may be long," this implies that the family, not the state, is the basic continuing unit and constitutive element of society.[3]

Although Chamberlain was thinking primarily of Great Britain and America, his words apply equally well to Holland. And as Max Weber pointed out long ago, there seems to be a direct relationship between the Calvinist idea that every man has a "calling"—not just in religious professions, but in business ones as well—and the "spirit of capitalism." According to Weber, Calvinism's emphasis on sobriety, thrift, upright conduct, and dedication to one's calling led, as a side effect, to capitalist accumulation and investment. In Holland, Calvinism's emphasis on thrift had its effects even on the rulers—the Princes of Orange lived in a large house rather than a palace, and DeWitt, the Grand Pensionary of Holland, had no entourage and chose to walk rather than ride in a carriage.

We need not accept Weber's thesis as a complete explanation for the rise of capitalism, for we know that free economies have existed in small pockets throughout the history of the world. Ideas that make for liberty transcend national boundaries, as is illustrated by the fact that many of the institutions that made capitalism possible—marine insurance, double-entry bookkeeping, and modern banking—came from Catholic Italy. But it cannot be denied that all through modern history there has been a strong correlation between Calvinism—or rather, its practical outworking—and capitalism.

The Dignity of the Individual

Calvinism also served to strengthen and nurture a deeper Western tradition—the idea of the dignity of each individual. Not only did all Western creeds believe that man is created in the image of God, but Martin Luther gave further impetus to the idea by emphasizing the "priesthood of the believer." When one accepts the idea that every man has a right to both read and interpret the Scriptures for himself, it's just a short intellectual journey to believing that every man has a right to make economic and political decisions for himself as well. Along with respect for the individual came respect for property, for without property the individual cannot be sustained.

In addition to the emphasis on the dignity of man, economic freedom was further promoted by some of the lowest interest rates in Europe. In the fifteenth century, interest rates fell from 14 per cent to 5 per cent; by the sixteenth century, they were 3 per cent in the Netherlands—the lowest in Europe. In England, where interest rates were twice what they were in Holland, the London merchant Josiah Child saw how important they were in producing the Dutch economic miracle. "This in my poor opinion," wrote Child, "is the causa causans of all the other causes of riches in that people; and if interest of money were with us reduced to the same rate as it is with them, it would in a short time render us rich and considerable in trade as they are."[4]

Although governments can manipulate interest rates through a central bank and by increasing or decreasing their fiat currencies, such policies always cause serious economic dislocations. True interest rates are a reflection of a society's basic philosophic and moral outlook. If a given society is rife with anarchy, pessimism, and rulers who try to do everything but enforce contracts and protect the citizenry

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from lawbreakers, the price of money will be high. People with money will either send their money out of the country, or spend it immediately. It is this kind of "eat, drink, and be merry for tomorrow we die" philosophy that causes high interest rates.

On the other hand, if a society encourages thrift, self-government, hard work, and morality, and the government performs its proper function of protecting citizens from criminals and contract-breakers, there are fewer risks in lending money. In such a society, people are more likely to forgo present consumption, since the stability all around tells them that there will be a future to be enjoyed.

This was the kind of attitude that prevailed in seventeenth-century Holland. Spain was no longer a threat, businessmen played a part in the nation's councils, and disputes were settled peacefully and rationally. It was this kind of society that gave the Dutch such low interest rates. And this in turn helped to make The Netherlands, for a time, Europe's greatest economic power.

A Government Limited to Protecting Life and Property

What were the results of all these "roots of capitalism"? First, the Dutch allowed only the most limited of governments. The new government was limited to protecting life and property. Of the Dutch Republic immediately after the Revolt, historian Charles Wilson has written: "The constitution of the new state seemed to many supposedly wise and experienced contemporaries elsewhere to be an impossibility. How could a motley collection of tradesmen, salt dealers, fishermen, and tallow chandlers hope to govern themselves without even royal or even noble guidance? The Dutch were in no way perturbed."[5]

According to the Dutch legal scholar Hugo Grotius, the basis of The Netherlands' limited government was individual self-government: "He knows not how to rule a kingdome, that cannot manage a Province; nor can he wield a Province, that cannot order a City; nor can he order a City, that knows not how to regulate a Village; nor he a Village, that cannot guide a Family; nor can that man govern well a Family that knows not how to govern himselfe; neither can any govern himselfe unless his reason be Lord, Will and Appetite her Vassals: nor can Reason rule unless herselfe be ruled by God, and (wholy) be obedient to Him."[6] Grotius understood that there were other "governments" besides civil governments—family governments, personal government, etc.—and that when these governments were healthy, they formed a powerful bulwark against the growth of the State.

Because of the laissez-faire policies of the Dutch government, Holland became the most liberal society in the seventeenth century. It was the only society where Jews were treated as equals, and the torture and execution of witches and wizards ceased in Holland a century before it did in any other European country—including England.[7] Moreover, as the great Dutch historian Johann Huizinga has pointed out, "The history of Holland is far less bloody than that of any of the surrounding countries . . ."[8]

Seeking religious freedom, Protestants from Belgium and France fled to The Netherlands. France and Belgium's loss was Holland's gain as thousands of hard-working and skilled emigrés came to Amsterdam, Rotterdam, and other cities to lend their talents to building the Dutch Republic. Perhaps the most famous Protestants to find refuge in Holland were the Pilgrim Fathers, who later left Holland to go to America, not because of any lack of freedom there, but because they feared their children would become more Dutch than English. At one time there were over forty English churches in Holland, served by more than 350 ministers from England and Scotland.

When the Puritans went home in the time of Cromwell's ascendancy, it was the Anglicans who became the exiles of the 1640s and 1650s. Even the University of Leyden was filled with Englishmen: between 1575 and 1675, over 950 students poured through this great university's doors.[9] Thus, while England was still rife with civil war, her next-door neighbor provided freedom for both factions.

Even John Locke found temporary sanctuary in Holland during his enforced exile from England. While in Holland, the free flow of ideas, as well as the influence of Huguenot refugees

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"The final end of the State consists not in dominating over men, restraining them by fear, subjecting them to the will of others, but, on the contrary, in permitting each one to live in all possible security—that is to say, in preserving intact the natural right of each to live without injury to himself and others."

—BENEDICT SPINOZA
(1632-1677)

from France, helped to make Locke the philosopher we know today. Other famous thinkers who benefited from Holland's liberal atmosphere included Descartes and Spinoza. Spinoza, a member of the Jewish community that had settled on the Jodenbreestraat (Jewish Broad Street), described Amsterdam in glowing terms. It was a city "whose enjoyment of this freedom has made it great and admired by the whole world . . . In this flourishing state," he continued, "this city without a peer, men of every race and sect live in greatest harmony . . ."[10] Despite the growing capitalist economy, Spinoza could not find a market large enough for his ideas, and had to subsidize his work in philosophy by grinding and polishing optical lenses. And even though this trade may have hastened his death from phthisis, through the absorption of glass particles into his lungs, he was a philosopher who was not beholden to the state for his income.

By 1685, there were so many immigrants in The Netherlands that a French observer calculated that they comprised half the population in the province of Holland. What brought them there was the tremendous opportunity that Holland's free market offered. When Adam Smith published his *Wealth of Nations* in 1776, Holland was beginning to wane as an economic power. Yet there was still enough freedom there for him to cite it as an example to his British readers: "Though there are in Europe," he wrote, "a few towns which in some respects deserve the name of free ports, there is no country which does so. Holland, perhaps, approaches the nearest to this character of any, though still very remote from it; and Holland, it is acknowledged, not only derives its whole wealth, but a great part of its necessary subsistence, from foreign trade."[11] With few natural resources, save for her own sturdy people, Holland was the Hong Kong of the seventeenth century.

Freedom of the Seas

Dutch dependence on open markets and free trade led to one of the first formulations of the doctrine of freedom of the seas. Although many believe this doctrine to be of British origin, it was first formulated by Hugo Grotius. Taking aim at the overbearing claims of Spain and Portugal, Grotius wrote: "Between us and the Spaniards the following points are in dispute: Can the vast, boundless sea be the appanage of one kingdome alone, and it not the greatest? Can any one Nation have the right to prevent other nations which so desire from selling to one another, actually from communicating with one another? Can any Nation give away what it never owned, or discover what already belonged to someone else? Does a manifest injustice of long standing create a specific right?"[12] The doctrine of the freedom of the seas, so important for the unhindered flow of world trade even to this day, was primarily a Dutch contribution. Upon the oceans, the Dutch plied not only their wares but those of other nations, and thus made their fortunes.

As the Dutch economy grew, nurtured by the "first principles" of freedom, so did the middle class that depended on such a philosophical climate. This rising group of entrepreneurs, in turn, helped to foster one of the greatest eras in the history of art. The Dutch masters painted everything—portraits, landscapes, still-lifes—not just the subjects chosen by a few wealthy patrons. Rich merchants, shopkeepers, and yes, even peasants bought pictures to furnish their homes and for investments (in lieu of land, perhaps, since it was in short supply). Had there not been this expanding market for paintings, Van Goyen may very well have had to sell more tulips than he did, while Jan Steen would have had to expand his inn. Dutch money also found its way into Europe's most elaborate private welfare system. "It is doubtful if England or any other

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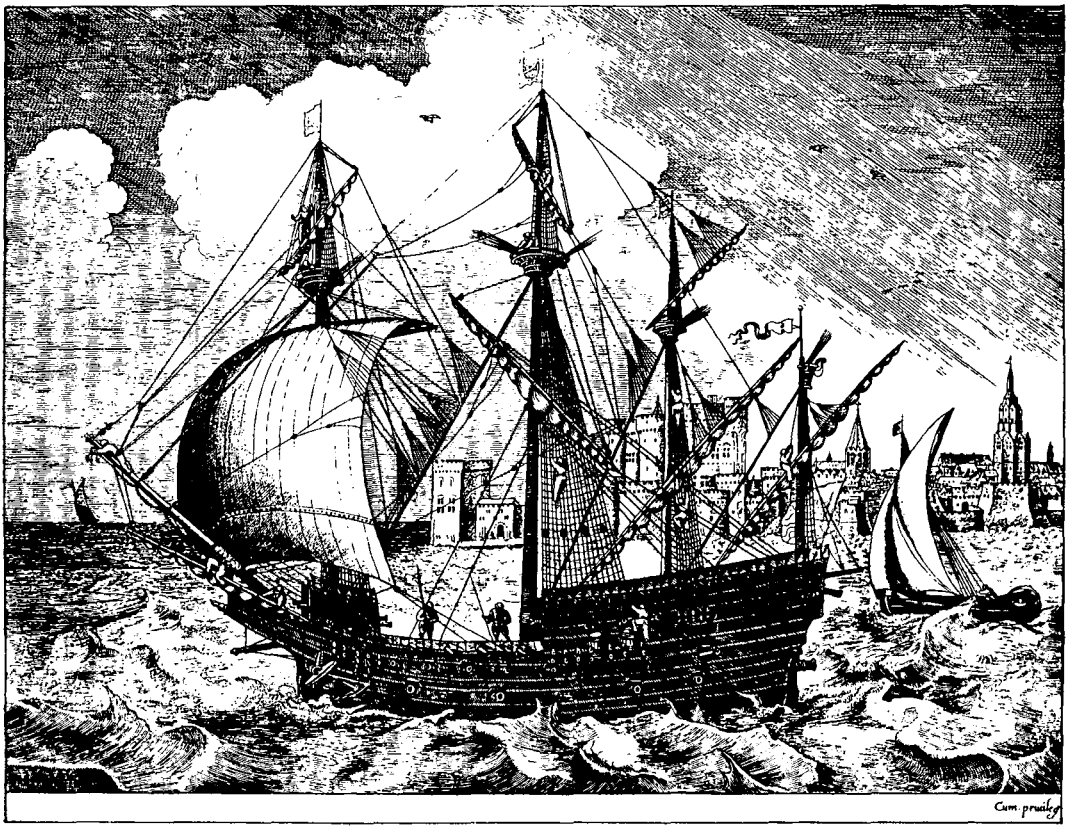

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A sixteenth-century Dutch sailing ship. An engraving by Peter Bruegel the Elder.

country,'' wrote Wilson, ''could rival the scores of almshouses for old men and women, the orphanages, hospitals, and schools maintained by private endowments from the pockets of the Dutch regent class.''[13]

Unable to contain their economic activity to their own country, Dutch capital and ideas went to work all over the world. In Russia, the Dutch exported caviar, tar, hemp, oil, salmon, and wool. In Scandinavia, they drained swamps, cleared forests, built canals, and opened mines. They introduced the cabbage to England, and planted the first pineapple on English soil. All over Europe they taught farmers how to grow crops that took salt out of the reclaimed land, as well as how to rotate crops.

As Dutch ships reached into the far corners of the globe, Dutch mapmakers incorporated these new discoveries into their work and at the same time became the best mapmakers in Europe (Mercator was a Fleming). And to help their ships pick their way across uncharted seas, the Dutch produced the best telescopes, binoculars, spectacles, and navigational instruments in Europe (the telescope was a Dutch invention). Peter the Great paid the Dutch lasting tribute, for when he wanted to learn how to build a ''real'' ship, he went to Holland. Liberty, not coercion, brings out the best in man's industry and creativity.

Eventually what was working in practice was soon defended in print. Although written chiefly as a tract against the house of Orange, *The Interest of Holland,* written by Pieter de la Court, is filled with the kind of policies that make for freedom. A self-made man, he supported the practices which made social mobility possible for others as well as for himself. His arguments went something like this: war is perhaps the most devastating thing to the Dutch economy, so it ought to be avoided at all costs. Peace is the most beneficial of all conditions for Holland. Since Holland's wealth is based upon the sea—and the bulk of her property consists of ships, cargoes, and stocks in warehouses—it is always at risk in wartime. Holland should never start an offensive war, and should promote freedom within her own

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borders. The most important freedom to be promoted is religious freedom, since it involves the right to own one's thoughts and beliefs. Immigration should continue to be encouraged, and taxes should be as low as possible. The main purpose of taxes should be to defend Holland's merchant marine by a strong navy. Finally, let the flow of precious metals be as free as possible.[14]

The Dutch experience from 1579 to 1750 clearly shows that a nation's wealth rests not so much on population, for England and France had many more people, nor on natural resources, for Holland had few, but on an underlying philosophy of freedom. In Holland's case, this state of relative freedom was not so much the result of a deliberate government policy of laissez-faire as it was a natural outgrowth of people acting freely in the marketplace under certain conditions. Certainly Holland in the seventeenth and eighteenth centuries was not a society of Friedrich von Hayeks or Ludwig von Miseses. Inconsistencies were legion. Grotius was forced into temporary exile in Sweden, and it was a Dutch ship that brought the first slaves to America. But it was, for its time, the world's freest society, and the result was the Dutch Golden Age.

Had The Netherlands continued to move in the direction of freedom, it might very well have become the "Hong Kong" of twentieth-century Europe. Instead, Holland took a left turn somewhere along the path of history. The trend toward more government was evident even in Adam Smith's day. "In Holland the heavy taxes upon the necessaries of life have ruined, it is said, their principal manufactures," Smith wrote in *The Wealth of Nations*, "and are likely to discourage gradually even their fisheries and their trade in shipbuilding."[15]

Today, The Netherlands stands knee-deep in a flood of socialism and government intervention, a force against which her famous dikes have proved defenseless. Even the heirs of the great Dutch painters are subsidized by the government, and warehouses are full of paintings that are bought up by the government through a guaranteed income program for artists. Yet it would be unfair to single out Holland and neglect to mention most of the other nations in the West. One would be hard-pressed to find a nation today that is not overgoverned. All over the world, government regulations on businesses and individuals "hang like ice on a Dutchman's beard," as Shakespeare put it. Only in the past few years has the debate begun to change, and people in the West are seriously talking about stopping the growth of government.

One of the most famous stories that has come down to us from Dutch history is that of the little boy who discovered a leak in one of the dikes. All night he held his finger in that dike, until others could arrive to make the necessary repairs. Through his heroic action, his town—his "civilization"—was saved from destruction. Today, those of us who believe in liberty stand, like that little Dutch boy, with our fingers in the dikes of freedom all over the would. But holding back the forces of coercion is not enough. Each year we must work to reclaim new territory for freedom. If there is a shift beginning to occur in today's philosophical climate, it is because there are men and women who continue to stand for the great principles of liberty, and who encourage the ideas and institutions that worked so well for the Dutch in the seventeenth century—self-government, morality, free markets, limited government, and free men. □

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China's "Free Enterprise" Experiment

by Donald J. Senese

Chinese college and university students marched in protest at the end of 1986 and in early 1987, demanding political freedom and democracy. These internal disruptions have provided an opportunity to probe into the recent changes in China, including the decentralization and decollectivization of parts of the economy introduced by China's current ruler, Deng Xiaoping. How significant—and how lasting—will be the efforts to introduce free enterprise principles into China's Marxist economy?

Deng Xiaoping came to power shortly after the death of Mao Zedong. He introduced a program called the "Four Modernizations" which called for the development and modernization of agriculture, industry, science and technology, and the military—seeking to make China a major world economic power by the 21st century.

Deng's program has been called "pragmatic" by Western journalists, many of whom have contrasted it with Mao's plan of rigid Marxist autarky. Orville Schell, an author and China traveler, wrote enthusiastically about China's changes under Deng Xiaoping, noting that "old style Chinese Communism was beginning to be consumed by change."[1]

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Mao Zedong (1893-1976) was one of the original members of the Chinese Communist Party. He was elected chairman of the newly established Soviet Republic of China in 1931. After several battles with the Chinese Nationalist forces, Mao and his followers fled on the famous "Long March" (1934-1935). Japan's invasion of China placed the Nationalists on the defensive—fighting Japanese militarism and Chinese Communism at the same time. Mao's forces finally drove the weakened Nationalist forces from the mainland on October 1, 1949.

The writings of Marx foresaw the triumph of Marxism in the industrialized nations. However, Lenin developed a theory of national liberation which sought to carry the Marxist struggle to the Third World. Mao built on this theory, seeking to develop a peasant base for the Communist revolution. It was his peasant-based revolutionary group which brought Mao to power.[2]

Mao's Economic Mecca

Mao began an immediate communization of the Chinese economy. He seized private property and placed the Chinese government in control of all economic sectors. Businessmen and landlords were arrested, put on public trial, and in some cases, executed. Businessmen lost their businesses and landlords lost their land. Those whose parents had been active in the Chinese Nationalist government, business, or as large landholders were considered the enemy

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class; economic benefits were showered on peasants and Communist Party officials. Mao exercised brutal political and economic control to bring China under the yoke of Communism.

Mao's most serious economic failure was the "Great Leap Forward" (1958-1960). Mao collectivized agriculture, splitting up peasant families as he moved them from small plots into massive communes. He abolished the last traces of free enterprise in the villages—the private plots where the peasants could grow extra grain, and the markets where they could sell their grain, pigs, and chickens.[3]

Chinese in both rural and urban areas were urged to contribute to industrialization by setting up "backyard steel furnaces"—a "great leap backward" for the division of labor. Scrap iron from pots and pans was collected to provide raw materials. Despite the exhortations of Party leaders, agricultural production declined, famine spread, and the products of the "backyard steel furnaces" were found useless.[4]

Mao became even more insistent on his doctrinaire economic course after the split with his Soviet allies in the 1960s. When Soviet technicians left China, Mao pushed his program of mass indoctrination, hoping that the cult of Maoism would bring economic miracles. Instead, his program brought misery to the Chinese people.

However, an even greater social disaster would soon afflict China—Mao's "Great Proletarian Cultural Revolution," which lasted from 1966 to 1976. Faced with the economic failure of the Great Leap Forward, some of Mao's supporters urged that incentives be brought into the economy to foster economic development. Mao denounced those favoring such changes as "capitalist roaders," and prominent Communist leaders such as President Liu Shaoqi were purged while others such as Deng Xiaoping lost positions of power. The Cultural Revolution plunged China into economic and political chaos as colleges and universities were closed, prominent leaders were arrested, and millions of Chinese were moved from the cities to the countryside to labor with the peasants. The youthful revolutionaries, known as Red Guards, destroyed cultural monuments while persecuting parents, professors, government officials, and even Communist Party leaders. Mao called in the army to restore order, but China's economy had been reduced to ruin.

Deng's New Direction

When Mao died in 1976, his widow Jiang Qing and her followers, the "Gang of Four," tried to continue the Maoist policies of centralized economic control. This group soon was arrested and the power struggle continued until Deng Xiaoping emerged as the new Chinese strongman. Deng had the advantage of hindsight in seeing the failure of socialist economics.

In announcing the "Four Modernizations," Deng steered a new course from Mao's rigid central controls. This departure made Deng seem more pragmatic and willing to introduce incentives to spur growth. Mao had insisted that "Red is Expert" and that the Chinese masses could accomplish anything in politics and economics. Deng rejected doctrinaire slogans in favor of a more realistic approach, stressing that, "It does not matter if a cat is black or white as long as it catches mice." Was Deng abandoning Karl Marx in favor of Adam Smith?

Deng announced a new program for economic development, calling for (1) abolition of the collectivized agricultural system, (2) encouragement of private peasant plots to raise agricultural products to sell in the marketplace, (3) reduction in centralized economic planning, making local economic units responsible for the acquisition of raw materials, (4) encouragement of technology to increase productivity, and (5) the use of joint ventures with foreign firms (e.g., the United States and Japan) to bring additional funds and investment to China. To support the latter program, special economic zones were developed in areas such as Shenzhen, near the Hong Kong border, and Zhuhai, near Macao.

Yet Deng made it clear that this program was not an abandonment of Marxism but rather an interpretation of Marxism which fit the particular economic circumstances in China. He dubbed it "socialism with Chinese characteristics." Deng stressed that four essential characteristics still remained central to any Chinese

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From "Peking" to "Beijing"

For many years Westerners were accustomed to the spellings of Peking, Mao Tse-tung, and Chou En-lai. In January 1979, however, the Chinese government introduced a new system of transliteration—the "pinyin" system. Since then, the U.S. government has adopted the pinyin system for official use in all names and places relating to the People's Republic of China. Here are some examples of the old spellings, followed by the pinyin updates in italics: Peking, *Beijing;* Mao Tse-tung, *Mao Zedong;* Chou En-lai, *Zhou Enlai;* Teng Hsiao-ping, *Deng Xiaoping.*

policy: leadership by the Chinese Communist Party, the dictatorship of the proletariat, socialism, and the primary of Marxist-Leninist-Maoist thought.

Deng has stressed that China will learn from other countries, but will not mechanically copy their systems. He has expressed the following view on many occasions: "We must integrate the universal truth of Marxism with the concrete realities of China, blaze a path of our own and build a socialism with Chinese characteristics—that is the basic conclusion we have reached after summing up long historical experience."[5]

The Chinese people have become restless under a totalitarian system which has denied them a better life. Their aims are getting higher. Under Mao, they wanted wristwatches, bicycles, and footpowered sewing machines. Under Deng, they want television sets, refrigerators, and tape cassette players.[6] However, this change in material objectives may not signal a significant change in the long-range prospects for economic and political freedom.

Restrictions on Deng's Program

The adoption of limited incentives in the Chinese economy is more a recognition of the failure of socialist economics than a conversion to free enterprise. While China has experienced economic growth since 1981 as a result of decentralization and the flourishing of markets in urban and rural areas, major economic decisions are still made by the Chinese Communist Party.

Although decision-making has been decentralized from Beijing, it has been switched to provincial and local officials. Unlike Japan and Korea, where Western businessmen can deal directly with entrepreneurs, in China Western businessmen must deal with a government bureaucracy slow to make decisions and at times uncertain in direction.

The most impressive advances have been in the rural areas where incentives have allowed the Chinese to raise some of their own agricultural products, sell them in the market, and then purchase needed equipment with any surplus received. Yet the farmers, who operate under a so-called responsibility system allowing them to use the land for fifteen years, realize that this program can be reversed at any time.

Less impressive have been advances in the industrial sector. Allowing provincial and local officials a greater voice in determining projects led to an overexpansion of major capital projects without an understanding of the market decisions needed to allocate raw materials and energy sources. There are about 100,000 major projects under construction, which is far beyond the nation's economic and managerial capabilities.

China's economy grew at 12.3 per cent rate in 1985, with the industrial sector expanding at 18 per cent. However, economic growth slowed to 9.2 per cent in 1986 and industrial growth fell to 11.1 per cent. China continues to suffer from poor distribution networks for its products, and while some efforts have been made to increase the number of enterprises outside the control of the central government, the bankruptcy law and the management-responsibility system have strengthened the control of the state.[7] Yet, China's leadership has expressed concern about the economy expanding too fast, and it has placed brakes on the rate of growth.

Even the development of special economic zones such as Shenzhen has raised doubts about China's ultimate commitment to free enterprise. These zones were created to attract for-

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eign investment and capital to China. However, only the Shenzhen zone has lived up to earlier expectations while the zones in Zhuhai, Xiamen, and Shantou have not performed as well. Moreover, the central government still exercises continual oversight and decision-making powers over these zones, and problems such as the development of special currency, stability of the governmental organization, enactment of commercial laws, and coordination with the other zones limit the efforts toward true free enterprise in these experimental regions.[8]

The Economy and Political Crises

Advocates of freedom realize that there are strong links between economic and political freedom. Despite concessions in the economic sphere, recent actions of the Chinese government have made it clear that there are no compatible efforts to provide for political liberalization.

China watchers saw a hopeful sign when the Chinese allowed the existence of "Democracy Wall," on which political posters were put up to encourage discussion and debate. When the student Wei Jingsheng put up his poster demanding a "Fifth Modernization," namely democracy, he was arrested, tried, and sentenced to a long prison term as an enemy of the state. "Democracy Wall" was shut down.

The campaign in the early 1980s against "spiritual pollution" was directed against practices which the Chinese leadership felt had come with capitalism to China. And during the student demonstrations in late 1986 and early 1987, Deng dismissed the calls for political freedom as "bourgeois democracy" and stressed that China would not give in to such Western ideas. Both Deng and his critics, who want a more centralized economy, agree on the need to keep the Chinese Communist Party in control. And without a system in which political control is lessened and individuals can experiment, a market economy cannot exist for long in China.

Chinese leaders have called on farmers and factory managers to show more initiative. However, the recent political restrictions may cause the more industrious farmers and factory managers to hold back and play it safe rather than take a chance on being accused of "bourgeois liberalism."[9]

A political struggle is taking place in China. Party General Secretary, Hu Yaobang, was forced to resign. Two intellectuals who dissented from the Communist Party line, Fang Lizhi and Wang Ruowang, were expelled from the Party. The campaign against "bourgeois liberalism" is taking place in earnest as a continuing struggle prevails in anticipation of the 13th National Congress of the Communist Party scheduled for October.[10] Any efforts to bring further Western reforms to China—either a lessening of government control over the economy or more freedom in the political sphere—seem destined to meet strong opposition from both the supporters of Deng and long-time followers of Mao who seek a return to more centralized economic control.

Those steeped in history can recall that whenever Marxist governments get into economic trouble, they seek support from capitalist nations and at the same time allow economic incentives to bail out the failures of socialism. Even Lenin, faced with economic difficulties resulting from his socialist policies, adopted the "New Economic Policy," which allowed elements of free enterprise to enter the Soviet Union's economy. When the economy began to grow, Lenin clamped down on this limited economic freedom, returning to socialist/communist policies while initiating a further tightening in the political sphere.

There is nothing to indicate that the Chinese experience will be any different. The limited reduction of economic controls may not last beyond the rule of Deng, who turns 83 this year.

The Challenge Ahead

China is better off under Deng Xiaoping with limited economic freedom than the doctrinaire policies of Mao Zedong. But already Western investors, sensing the struggle between Deng and his critics as the 13th National Congress of the Communist Party approaches, are unsure of the future investment climate for China. Those who have called for more freedom, especially in the political realm, have been silenced, im-

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prisoned, and/or expelled from the Communist Party. Deng's economic policies have fallen far short of initiating a free market economy in China.

The great irony in China's development is that Mao Zedong called the centralized economic system in China the wave of the future for the development of Asia as well as the Third World. His prediction was wrong and his policy failed. The nations which did develop were the ones which followed the Western model of relatively free enterprise and political freedom such as Japan, South Korea, and the Republic of China. After almost forty years of Communist rule, China finds itself borrowing lessons from its free enterprise neighbors to keep its economy afloat.

While China has reduced some of its harsh revolutionary rhetoric on the international scene, there is evidence that China, once it has acquired Western technology and expertise, may once again resort to a more militant foreign policy and use its technology, like the Soviet Union, to strengthen its control over its own people and other nations.

The Chinese people have benefited from the limited steps toward free enterprise, but they lack the political power to advance this freedom. The Chinese Communist Party monopolizes the political sphere. It is unlikely that any additional economic freedom will be granted unless it is seen as posing no threat to the continued dominance of the Communist Party. We can only hope that this taste of economic freedom will some day bring about an advancement of political freedom so that a true free enterprise can develop in China. □

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10. Robert Delfs, "Politics: The Conservative Challenger is Deeply Rooted," *Far Eastern Economic Review*, March 19, 1987, pp. 58-62; Franz Michael, "Can Marxism-Leninism Survive Economic Reform?" *The World and I*, April, 1987, pp. 45-49.

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World Resources and Economic Exploitation

by M. W. Sinnett

"The United States, with x per cent of the world's population, is consuming y per cent of the world's resources." This is the general form of a class of statements which reach us from a variety of sources and with various specifications. Whether it is the "United States" which is specifically mentioned, or the "Western world," or the "developed nations"; and no matter the particular values of "x" and "y" (just so long as y is considerably larger than x); the message is always the same: a small minority of the world's population is "consuming" a large majority of "the world's resources."[1]

The real significance of these types of statements, however, does not lie in their strictly factual nature, but in the inference of economic inequity, or exploitation, which is almost universally drawn from them. It just seems to follow immediately that the situation is unjust in which x is less than y, especially if x is considerably less than y, and it is precisely this lurking inference of inequity, with its reinforcement of what we may call the *will to planning*, that we wish to examine in this essay.

How has this situation come upon us? How has this inference of inequity come to occupy such unchallenged pre-eminence in public discussion? This situation has arisen (as is so often the case) from the presence of a hidden premise, which we may state as follows: "Resources are part of the physical endowment of the earth, and all people have a right to consume their fair share of them." It now remains to show, through a critical analysis of its terms, that this premise, far from being obviously true, is rather spectacularly false. We will then be in a position to conclude that, far from constituting injustice or exploitation, the unequal consumption of the "world's resources" is a result of developments which should be particularly welcome to the inhabitants of developing nations.

Virtually every rendering of the facts of resource distribution employs the language of consumption. It is said that "the United States . . . is *consuming* y per cent of the world's resources," and against the alleged injustice of this circumstance, it is urged that "all people have the right to *consume* their fair share" of these same materials. Very rarely will the fact be volunteered that before firms and individuals in developed countries consume resources they also *buy* these resources. Nor, in our opinion, is this merely an oversight. For it seems clear without further analysis, that the assertion, "The United States, with x per cent of the world's population, is *buying* y per cent of the world's resources," is a relatively more innocuous statement, and one less to be relied upon to motivate the conclusion of economic exploitation, than the one with which we began.

Why does the change of this one word have such a dramatic effect? One reason might well be that we immediately recognize the legal (and moral) right of the purchaser to "consume" the materials he has purchased. Far more importantly, however, our recognition of the purchase, and not the mere consumption, of natural resources opens our minds to the existence of the seller, as well as to his reasons for choosing to participate in the sale.[2] Even

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without knowing the concrete details of any particular transaction, the mere recognition of an exchange should serve to remind us of the precondition of any market transaction; namely, that buyer and seller have placed different relative values on the goods exchanged. It should serve to remind us, that is to say, of the fact of "subjective valuation."[3] Indeed, as we shall now see, subjective valuation takes on an extremely dramatic form in the context of resource economics.

The Meaning of "Resource"

The inference of exploitation depends upon the idea of the objective value of resources. For, if resources have an objective value—that is, a value independent of person or place—and if manufacturers in developed economies are profiting by "consuming" them, then, so the argument goes, the exporters are not being justly rewarded for their contribution to this process; that is, they are not being paid for what their resources are "really worth." Thus, in what amounts to another "surplus value" argument,[4] exploitation is inferred from the simple fact of the importers' profits.[5]

This appearance of objective value, in turn, is achieved by representing a resource's "utility" (i.e., its "usefulness" in various manufacturing processes) as itself an objective characteristic of the material in question. The utility of the resource comes to be viewed as a property which is inherent to the material as a physical substance, and which is independent of the person who uses the substance and of the circumstances in which it is used. It is then as if the term "resource" belongs to the technical vocabulary of geology (as in the first half of our previously mentioned hidden premise, where "resources are part of the physical endowment of the earth"); and as if "utility" denotes a physical characteristic possessed by a given material along with its density and specific gravity, so that anyone physically possessing the material in question just as surely enjoys the "utility" of that material (as in the second half of the "hidden premise," where the universal "*right* to consume" resources presupposes the universal *capacity* to consume resources).

Now, in fact, "resource" is part of the terminology of *economic* science (instead of *geologic* science) and it is to the formulations of economists that we must turn in order to gain a proper understanding of it. In the first place, the concept of "resource" is what F. A. von Hayek calls a "teleological concept." That is, it is a concept which "can be defined only by indicating relations between three terms: a purpose, somebody who holds that purpose, and an object which that person thinks to be a suitable means for that purpose." A resource, therefore, is "defined not in terms of [its] 'real' properties, but in terms of opinions which people hold about [it]."[6]

This teleological emphasis can be more directly applied to the questions at hand by means of a distinction made by Ludwig von Mises, the distinction between "objective use-value" and "subjective use-value." The former, says Dr. Mises, is a "technological notion" referring to "the relation between a thing and the [objective] effect it has the capacity to bring about." The latter, on the other hand, is a "praxeological notion"—a notion pertaining to human action—and "is tantamount to [the] importance attached to a thing on account of the belief that it can remove uneasiness."[7]

By way of illustration, "It is to objective use-value that people refer in employing such terms as the 'heating value' or 'heating power' of coal."[8] The capacity of coal to burn and give off heat is a constant of the material and certain physical conditions, but the opinions which people hold of this capacity can vary almost arbitrarily from circumstance to circumstance, and from user to user. Thus, the objective use-value of coal is the same on a sultry summer afternoon in Houston as it is on a blustery winter evening in Boston, but the subjective use-value in the two situations is likely to be conceived quite differently by most people.

It is clear that the two concepts are related. Subjective use-value will often be predicated by people on the basis of their recognition of objective use-value. Particularly in discussions of resources, the concept of objective use-value will be a *necessary* one, but it will not be *sufficient*. An adequate understanding of the nature of a resource must take into account subjective use-value as well, particularly as this is manifested in market demand for the material in

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question. As a bare minimum, it must take into account (1) the process of technical and entrepreneurial development by which the status of a material as a resource is first constituted; (2) the many uses of the material in the market which constitute its exchange value, but which, for the most part, will lie beyond an observer's technical knowledge; and (3) the multiple substitutions made for the material, by which people achieve given purposes through different means, and of which, once again, an observer will know very little.[9] We may summarize this by saying that *an adequate concept of "resource" must involve us in the process of the market.*

An Example from Adam Smith

The question now arises as to how something as static as a "concept" can possibly "involve" us in something as dynamic as "the process of the market." As is so often the case in social theory we may best proceed by means of a concrete example; in this case, a situation described by Adam Smith in *The Wealth of Nations*. Smith observes that, in the British Isles of his day, "timber for building is of great value . . . and the land which produces it affords a considerable rent." At the same time, however, "in many parts of North America" the materials of lodging and shipbuilding were so excessively abundant that "the landlord would be much obliged to any body who would carry away the greater part of his large trees." And he points out that, while such materials afford the North American landlord no rent at all *from within his own country, "The demand of wealthier nations . . . sometimes enables him to get a rent for it"*[10] (emphasis added). In other words, it seems, a material (timber) of no exchange value at all within the "developing" economy of North America brought great revenue when placed in contact with the "wealthier," more highly developed, economies of Europe.

What does the foregoing analysis allow us to understand about this situation? In the first place, we see the crucial importance of distinguishing objective from subjective use-value. From an objective point of view, timber is the same whether it is stacked on a New England farm, say, or in a Liverpool shipyard (just as coal-in-sultry-Houston is objectively equivalent to coal-in-blustery-Boston). But from the differing subjective perspectives of participants in the economies of North America and of Great Britain, it is almost as if we have to deal with two completely different substances. The New England farmer, eager only for more cleared land to cultivate, viewed "his large trees" as merely *timber-in-New England:* they were a waste-product and a considerable nuisance. To the commission agent of a Liverpool shipyard, on the other hand, this same material was viewed as *timber-in-Liverpool:* it was a valuable *resource,* for which he was prepared to pay good money.

It is now easy to see why the farmer might well have been willing to sell "his large trees." His options, after all, were: first, to accept coin of the realm in exchange for the trees to which he otherwise attached no value at all (or, if anything, a certain disvalue); or, second, to disdain the shipyard's money and retain his valueless trees! It is difficult to imagine him deliberating too long over such a choice as this. Indeed, his only point of confusion might have come in persuading himself that the Englishman was in earnest in offering money for something he regarded as being utterly worthless.

This example gives us further insights of what it means to "consume." Our normal use of this word seems to connote an activity of the utmost passivity. As it is used in the statement with which we began (as well as in the "hidden premise"), it would seem to imply that an economy "consumes" resources in the same casual way in which a person "consumes" the food on his dinner plate. Quite to the contrary, however, in the case at hand this consumption required the techniques of eighteenth-century naval architecture as well as the enormously complex demands placed upon the shipbuilding industry by the global reach of British commerce. Once again, it was precisely the economic process represented by the shipyard's capacity to consume the farmer's trees by which they were constituted a valuable resource (timber-in-Liverpool); and it was precisely the farmers' incapacity to consume "his large trees" which rendered them worthless (mere timber-in-New England) in his eyes, and which

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made him more than willing to sell them to anyone foolhardy enough (from his perspective) to buy them.

Our results may be generalized as follows. It is the market processes of the developed economies which *create* resources out of raw materials which are completely valueless when viewed strictly within the context of underdeveloped economies.[11] Indeed, as we have been implicitly asking all along, if developing nations did not enjoy, or chose not to exercise, the option of selling their raw materials *what would they then do with them?* What is it about the possession, merely as such, of materials which have no subjective use-value—*which are not resources*—within an underdeveloped economy, which would compensate that nation for the loss of the revenue which would accrue from the sale of these same materials? When one realizes, as is now obvious, that no such compensation is forthcoming, then one also realizes why these nations' representatives are ready to sell these materials to those from beyond their borders who alone are able to regard them as resources and who are therefore willing to pay money for them. It is now clear that there is little to be said for the "hidden premise" which it has been our purpose to analyze.

Exploitation in a Pickwickian Sense Only

It now remains to directly address the charge of "economic exploitation." The challenge which confronts us is not so much that of resolving the issue at hand, but of keeping a straight face while doing so. Indeed, it is interesting to note that the comic possibilities of such a situation as we confront here have already been exploited. In *The Pickwick Papers,* Charles Dickens shows us Mr. Pickwick and his loyal followers journeying through the Kentish town of Cobham. Suddenly, the immortal Pickwick drops to his knees at the foot of a cottage door and announces his discovery of a small stone bearing what he takes to be an ancient inscription. Immediately he launches into negotiations for the purchase of the stone from the cottage's astonished owner, a laboring man by the name of Bill Stumps[12]:

Mr. Pickwick addresses the Club.

"You—you—are not particularly attached to it, I dare say," said Mr. Pickwick, trembling with anxiety. "You wouldn't mind selling it, now?"

"Ah! but who would buy it?" inquired the man, with an expression of face which he probably meant to be very cunning.

"I'll give you ten shillings for it, at once," said Mr. Pickwick, "if you would take it up for me."

Mr. Stumps' astonishment derives from the fact—later publicized by Mr. Blotton, one of Mr. Pickwick's rivals in his own club—that while Mr. Stumps presumed the stone to be ancient, he "solemnly denied the antiquity of the inscription—inasmuch as he represented it to have been rudely carved by himself in an idle mood. . . ." On the other hand, this revelation does not lessen the value of this "antiquarian discovery" to Mr. Pickwick, to whom it brings a pair of gold spectacles (voted him by the Pickwick Club) and membership in seventeen "learned societies" both "foreign and domestic"; and which "remains an illegible monument" to the greatness of Samuel Pickwick, as well as "a lasting trophy to the littleness of his enemies."[13]

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Now, is there really any point in asking whether Mr. Pickwick has "exploited" Mr. Stumps? Well, of course, no one will suggest that there is. But is Mr. Stumps' position with regard to the "antiquarian discovery" really all that different from that of the New England farmer with regard to "his large trees"? The farmer, after all, had as little use for his trees as Mr. Stumps has for his stone. This is why we were so easily able to imagine the farmer's astonishment at the fact that someone would offer money for them: "Those large trees there: you—you—are not particularly attached to them, I dare say. You wouldn't mind selling them, now?" says the commission agent. "Ah," responds the farmer, "but *who would buy them*?"

We conclude that underdeveloped nations, in exporting their resources, are victims of "economic exploitation" in a Pickwickian sense only. Indeed, it is difficult to imagine them having to endure in this process anything more rigorous than *windfall profits;* profits which they have had no role in producing; profits which depend upon technical developments and market demand which have been exclusively the contribution of the developed nations. On such terms as these we will all be anxious to be "exploited" ourselves to the fullest extent possible!

The Creative Powers of a Free Civilization

It is interesting to note, finally, the transformation which has now been worked in our view of the gap between x and y (the gap between America's percentage of the world's population and the percentage of America's consumption of the world's resources). Whereas, originally, it was somewhat natural for us to see it as a source of shame or embarrassment—whereas, originally, it naturally suggested to us the inference of economic exploitation—it now appears in a different light. Now that we know what a vital role is played by that "x per cent of the world's population" in *creating* "the world's resources," the gap in question is no longer a measure of exploitation, but of undeserved benefits poured out upon less developed countries. It no longer measures the debt of the United States to the world, but that of the world to "the creative powers of a free civilization."[14] □

1. Cf., e.g., D. H. Meadows, *et al., The Limits to Growth* (New York: Universe Books, 1972), pp. 56–9, and 67f.
2. Of course, it may be argued that those within less developed countries who make such choices are the beneficiaries of profound inequities in ownership and control of such resources within their own nation. However this may be—and there can be no doubt that the political organization of many Third World nations leaves much to be desired—the applicability of the following analysis is unaffected. For, if resources could be more profitably employed *inside* the exporting nation, then the persons having control of them, no matter who they are, and no matter how they achieved this control, would not choose to sell them *outside* their country.
3. Cf., e.g., L. von Mises, *Human Action: A Treatise on Economics* (3rd rev. ed.; Chicago: Contemporary Books, Inc., 1966), pp. 331–33.
4. Cf., e.g., K. Marx, *Capital,* F. Engels, ed., Vol. 50 of the Great Books of the Western World, R. M. Hutchins, ed. (Chicago: Encyclopedia Britannica, 1952), pp. 13–16.
5. Cf. I. M. D. Little, *Economic Development: Theory, Policy, and International Relations,* Twentieth Century Fund Book (New York: Basic Books, Inc., 1982), p. 220: "One Marxist feature, common to all or most members of [the neo-Marxist school of development economics], is the manner in which they manipulate language. The trick is to define a concept with value-laden connotation in a manner that often bears little relation to ordinary usage—the so-called persuasive definition. Marx's key persuasive definition was that of the word 'exploitation'—so defined that any enterprise that pays a worker a wage, and makes a profit, necessarily exploits him."
6. F. A. von Hayek, "The Facts of the Social Sciences," in *Individualism and Economic Order,* Midway Reprint (Chicago: The University of Chicago Press, 1980), pp. 59–60.
7. Mises, *op. cit.,* p. 120.
8. *Ibid.,* pp. 120—1.
9. Cf. the distinction between a "technologic" and an "economic" definition of resource supply in J. L. Simon, *The Ultimate Resource* (Princeton: Princeton University Press, 1981), pp. 42f. See also the discussion of this point in M. W. Sinnett, "Method versus Methodology: A Note on The 'Ultimate Resource,' " in *Review of Austrian Economics,* Vol. 1 (Lexington, Mass.: Lexington Books, 1987), pp. 217f.
10. A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations,* R. H. Campbell and A. S. Skinner, eds., W. B. Todd, text ed., Vol. 1 (Oxford: The Clarendon Press of Oxford University, 1976), p. 179.
11. Cf. N. Rosenberg and L. E. Birdzell, Jr., *How the West Grew Rich: The Economic Transformation of the Industrial World* (New York: Basic Books, Inc., 1986), p. 10: ". . . a society's economic resources are not its natural resources as such, but a relation, internal to the society, between its natural resources and its organizational and technological skills in extracting or otherwise acquiring and utilizing those natural resources for advancing its people's material welfare. Resources that contribute to economic wealth are not simply material; they are a subtle combination of materials present in nature with the human knowledge and social organization required to use those materials (and, by extension, the efforts of human beings) to satisfy human needs. To the American Plains Indian, for example, the oil, coal, iron ore, forests, and farmlands of North America were not economic resources, but the buffalo herds were resources of the utmost importance."
12. C. Dickens, *The Pickwick Papers,* The Oxford Illustrated Dickens (Oxford: Oxford University Press, 1979), p. 137.
13. *Ibid.,* pp. 148–9.
14. Hayek, *The Constitution of Liberty* (Chicago: The University of Chicago Press, 1960), pp. 22f.

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Third World Development: Foreign Aid or Free Trade?

by John Majewski

Third World poverty is one of the most pressing problems of our age, condemning billions of people to lives of hardship and misery. Such poverty has led many Americans to want to help Third World peoples, both for humanitarian reasons and to increase our own trade and national security.

In response to Third World poverty, the U.S. government has provided over $321 billion in assistance since World War II.[1] As this figure indicates, foreign aid is politically popular. Besides its humanitarian supporters, many special interest groups lobby for foreign aid. For example, American farmers back food assistance because such programs help eliminate politically embarrassing food surpluses caused by agricultural subsidies.[2]

While foreign aid is a political success, it is an economic and social failure. By increasing government power, destroying economic incentives, promoting unprofitable enterprises, and subsidizing misguided policies, foreign aid increases Third World poverty. In this essay we will examine two types of foreign aid: humanitarian and development assistance. We will then discuss alternatives to aid in helping the Third World, especially the policy of free trade.

Humanitarian Assistance

Humanitarian assistance—aid designed to avert immediate disaster—mainly takes the form of food aid that is allocated through Public Law 480, widely known as the Food for Peace program. Since the establishment of FFP in 1954, the United States has distributed some $34 billion worth of food to the Third World, and currently provides some $1.2 billion a year in food transfers.[3] Although it reduces the surpluses of our government farm programs, Food for Peace has actually increased hunger abroad in the long run.

One problem with food aid is that the dumping of free food in Third World countries depresses prices for local farmers, therefore resulting in less domestic production. According to George Dunlop, chief of staff of the Senate Agricultural Committee, millions of Indians may have died of starvation because American wheat dumped in India bankrupted thousands of Indian farmers.[4] Thousands of Guatemalan farmers were likewise hurt when food aid poured into the country after the 1976 earthquake. For these unfortunate farmers, "the price of domestic crops dropped at a time when farmers desperately needed cash to improve and repair their homes. . . ."[5] In Bangladesh, the upper and middle classes receive free food from foreign aid programs, thus impoverishing local farmers with artificially low prices.[6]

A second major problem with food aid is that it encourages the recipient nations to adopt policies that discourage production. With food aid to "cover-up" the most grievous results of their actions, Third World governments can pursue such counterproductive policies as forced collectivization and price controls on

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farm products. For example, Tanzanian President Nyerere was able to collectivize farms and engage in massive relocations of peasants because food aid "hid" the consequences of such actions.[7] In many cases, such as in Bangladesh, food aid leads to the neglect of agricultural production because of the belief that other nations will provide sufficient amounts of free food:

> Bangladesh officials are convinced that the international donors will not allow them to starve. Since it is easier to order a shipment of food through the embassy in Washington than to spend time and money on a domestic procurement program, a definite complacency has settled over the bureaucracy. The technocrats who dominate the powerful ministries of finance, planning and food are resigned to continued reliance on American, Canadian, Australian surpluses of food grains. One symptom of the relief mentality is a reluctance to invest too much of the country's limited resources away from the more glamorous industrial sector and into low profile agricultural projects.[8]

The end result of programs such as Food for Peace is a complete dependence on food aid for many countries. Food aid destroys Third World food production, creating a perpetual crisis that requires more aid to avoid famine. The cycle continues until the country is completely dependent upon free food from abroad. As one analyst put it, foreign aid has become "the opiate of the Third World" that keeps the less developed countries (LDCs) permanently dependent on the West for their very existence.[9]

A third consequence of government-to-government food aid is the destruction of more efficient private efforts. Before World War II, private charities provided hundreds of millions of dollars in emergency aid. Because private food aid is administered directly to the poor—it is an exchange between individuals, not governments—it does not destroy markets through indiscriminate dumping or lead to destructive farm policies. Government food aid hinders private efforts by limiting the feeling of moral responsibility among citizens of more wealthy nations. Even more important, government food aid has "politicized" many private organizations by providing the bulk of the budgets, therefore destroying their incentives to be efficient. Without private alternatives, Third World nations are quick to accept public aid that increases the likelihood of future food shortages.[10]

Development Aid

Development aid attempts to promote long-run growth of the LDCs by building large projects, giving budgetary and balance of payments help, and funding a variety of research and planning efforts. Since 1946 the United States has given over $131 billion in development assistance.[11] Despite the scale of these international transfers, they have not led to sustained growth. Rather, aid has significantly impaired LDC progress by expanding the role of the public sector in the recipient nations.

Development aid is based on the premise that Third World nations don't grow because they lack financial resources. But financial resources have relatively little impact on growth rates when compared to other factors. As P. T. Bauer argues, "Economic achievement depends on personal, cultural, social and political factors, that is people's own faculties, motivations and mores, their institutions and the policies of their rulers."[12] Even if financial resources were vital to growth, the Third World does not lack the means of obtaining international credit. If anything, the more than $800 billion total debt accumulated by LDCs shows that they may have had too much financial capital, rather than too little.[13]

As with food aid, development assistance politicizes Third World economic life. Aid helps incumbents expand their power through political patronage. According to economist Doug Bandow, "The tendency of ruling groups, particularly in societies where political power is so important, is to use aid, or funds released by aid, to strengthen their own position, reward their supporters, and buy off or crush opposition movements."[14] By limiting political competition, foreign aid inhibits the implementation of badly needed market-oriented reforms.

Even aid that is not used for overt political repression leads to the growth of large, unproductive bureaucracies. According to a recent

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Agency for International Development report: "Many African institutions officially responsible for planning and implementing development are saturated with development assistance, paralyzed by administrative inefficiency, staggering beneath a burden of complex and differing donor requirements, and are themselves in danger of become obstacles to development."[15] Some countries that receive large amounts of development aid, such as Zambia, use over 20 per cent of their GNP to provide civil service employees with a standard of living which is "totally out of synch with the rest of the economy."[16]

Through these large bureaucracies, development aid fosters political exploitation. There are many examples of Third World governments using aid to enrich the ruling elite at the expense of the masses. President Sese Seko of Zaire, for instance, used foreign aid money to partly fund the construction of eleven presidential palaces.[17] Foreign aid is also used to build expensive capital cities, such as Brasilia, Islamabad, Abuja in Nigeria, Lilongwe in Malawi, and Dodoma in Tanzania, that benefit few people except the ruling classes.[18] In some of the poorest parts of Africa, government officials are known as "Wabenzi"—men of the Mercedes-Benz.[19] Foreign aid is also used to subsidize expensive Third World airlines. These airlines benefit only the elite of the country, while taking away resources from needed private sector activities.[20]

Even if development aid didn't lead to political exploitation, it would still foster economic inefficiency. Unlike firms in the private sector, government projects are not subjected to the discipline of profit and loss accounting. Because they operate outside the market, government projects—the kind financed by foreign aid—have low or negative rates of return. In many cases, aid agencies explicitly undertake such projects because the private sector refuses to finance them. Foreign aid thus channels the recipient nation's resources into unproductive areas of investment:

> The broadest ill effect of development assistance is that it distorts market signals and incentives. It therefore diverts economic resources from their most productive uses in developing nations. Whenever resources are made available outside of normal market channels, buyers and sellers in related market activities receive inappropriate signals and change their behavior, reducing locally generated incomes. The resulting distortions may be major or minor, but they always occur.[21]

Without the price system to guide them, Third World nations have attempted to develop by simply building the same type of enterprises that flourish in more advanced countries. Steel plants, aluminum factories, and oil refineries funded with aid money dot the Third World, despite the fact that the markets for these products are already saturated. Because they cannot hope to compete with more established firms, these aid projects drain skilled labor and other resources away from the private sector with no corresponding benefits.[22]

Foreign aid not only wastes scarce resources in the very nations which can least afford waste, it also creates international tensions. Foreign aid has united the governments of the Third World into a cohesive unit that has but one goal: secure more aid. To accomplish this, the Third World has found that the politics of confrontation work best. In their eyes, the world is divided between rich and poor, with the former having an obligation to help the latter. The result is international conflict:

> The West has created an entity hostile to itself—this is the biggest and most intriguing of the many anomalies of aid. Individual Third World countries are often neutral or even friendly to the West, but the organized and articulate Third World is at best critical and more often hostile. The purpose of the Third World *qua* collectivity is to coax or extract money from the West.[23]

Finally, we must note that development aid significantly drains our own resources. Many people support foreign aid because of the perception that it helps our export industries. In fact, there are stipulations on most aid packages requiring the use of American goods whenever possible. Because foreign aid subsidizes American companies which deal with the Third World, it shifts assets from more effi-

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cient firms, thereby reducing our overall economic performance. Supporting aid in the hope that some of it might be spent in the United States is like a supermarket giving money away in the hope that consumers will spend part of it in the store—there is always a net loss.[24]

Another Way?

The basic problem with both types of foreign aid is that they strengthen the institutions which prevent progress while weakening the institutions of the Third World which could bring true prosperity. Aid increases the role of government and bureaucracy in the economic life of the Third World, while it minimizes the role of markets and private entrepreneurship. If we are to help developing nations prosper, we must find a method that creates a bigger role for institutions such as the market.

One way of aiding Third World nations is through free trade. By lowering our import barriers, we can allow the private sectors of the Third World easier access to our markets. With the huge markets of the United States available for their products, entrepreneurs will have the opportunity to develop new industries or expand old ones. As Lord Bauer writes, removing protectionist barriers will allow more Third World countries to experience the success of such Pacific Basin countries as Hong Kong and Singapore:

> As for economic development, the West can best promote this by the reduction of its often severe barriers to imports from poor countries. External commerce is an effective stimulus to economic progress. It is commercial intercourse with the West which has transformed economic life in the Far East, South-East Asia, and parts of Africa and Latin America.[25]

Free trade also has the advantage of helping our own economy. While this is no place to explode the numerous protectionist fallacies, free trade will increase our wealth with a great influx of goods and services from abroad. Like all voluntary exchanges, international trade is a positive sum activity; both America and the Third World benefit from it. Even if we make the heroic assumption that foreign aid actually helps Third World countries, it would still be only a zero sum activity; it can only help the recipient nation by hurting the donor nation.

Foreign aid fails as a development policy because it destroys the incentives of the marketplace and extends the power of ruling elites. Because it leads the Third World away from the free market, it actually increases Third World poverty. On the other hand, the alternative policy of free trade will give the private sector of the LDCs an opportunity to expand and flourish.

It must be emphasized that free trade alone will not solve all the problems of Third World poverty. Free trade only increases the opportunities of the less developed nations. It will not eliminate the shackles of government regulation and intervention that dominate Third World economies. That task can only be done by the people of the Third World themselves. Yet, eliminating foreign aid and instituting free trade will at least encourage Third World peoples to develop institutions such as private property rights and free markets which will lead to growth and prosperity. □

1. Doug Bandow, "The U.S. Role in Promoting Third World Development," in Doug Bandow, ed., *U.S. Aid to the Developing World: A Free Market Agenda* (Washington: The Heritage Foundation, 1985), p. ix.
2. Daniel A. Sumner and Edward W. Erickson, "The Theory and Practice of Development Aid" in Bandow, *op. cit.*, p. 57.
3. Bandow, *op. cit.*, p. xiii; *Budget of the United States Government: Fiscal Year 1987*, p. 5-20.
4. James Bovard, "The Continuing Failure of Foreign Aid," *Cato Policy Analysis*, January 31, 1986, p. 4.
5. Mark Huber, "Humanitarian Aid," in Bandow, *op. cit.*, p. 7.
6. Stephan De Vylder, *Agriculture in Chains* (London: Zed Press, 1982), p. 46.
7. P. T. Bauer, *Reality and Rhetoric: Studies in the Economics of Development* (Cambridge, Mass.: Harvard University Press, 1984), p. 52.
8. Stephan De Vylder, *op. cit.*, p. 47.
9. Bovard, *op. cit.*, p. 2.
10. Arthur E. Farnsley, II, "Humanitarian Aid in the Twentieth Century: Public and Private" in Bandow, *op. cit.*, pp. 13-24.
11. Bandow, *op. cit.*, p. xi.
12. Bauer, *op. cit.*, pp. 43-44.
13. Bandow, *op. cit.*, p. xvii.
14. *Ibid.*, p. xx.
15. Bovard, *op. cit.*, p. 11.
16. *Ibid.*, p. 12.
17. *Ibid.*, p. 19.
18. Bauer, *op. cit.*, pp. 50-51.
19. Bovard, *op. cit.*, p. 19.
20. Bauer, *op. cit.*, p. 51.
21. Sumner and Erickson, *op. cit.*, p. 57.
22. Bandow, *op. cit.*, p. xix.
23. Bauer, *op. cit.*, p. 41.
24. *Ibid.*, pp. 54-55.
25. *Ibid.*, p. 62.

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BOOK
REVIEW

A Conflict of Visions

Reviewed by David M. Stewart

In debating political and economic issues, we usually take for granted that arguments can be won and lost in terms of the issue at hand. Yet despite much apparently relevant debate, built on theory and evidence, we still find "the repeated opposition of individuals and groups on numerous, unrelated issues." In *A Conflict of Visions: Ideological Origins of Political Struggle* (New York: William Morrow and Co., 1987, 273 pp., $15.95), Thomas Sowell explores the philosophical reasons why "the same familiar faces can be found glaring at each other from opposite sides of the political fence, again and again."

Sowell's hypothesis is that the major political struggles of our day reflect two dominant and conflicting visions of man's nature and potential. Yet most struggles are debated on another level, without any acknowledgment of these visions. Thus "those with different visions often argue past each other, even when they accept the same rules of logic and utilize the same data, for the very same terms of discourse signify very different things."

Sowell posits a dichotomy between "constrained" and "unconstrained" visions of man's moral and mental natures and capacities. In the constrained vision, exemplified by Adam Smith, man has ineradicable limitations. Morally, man is egocentric, each concerned primarily with his own self-interest. This is neither lamentable nor alterable; Smith simply treated it as an "inherent fact of life, the basic constraint in his vision."

Similarly, "any individual's knowledge is grossly inadequate for social decision-making." As F. A. Hayek has long maintained, one person may amass expertise in a certain field, but knowledge on a socially useful scale takes the forms of social experience—traditions, habits, skills, tools. The combination of human frailties makes Utopia unachievable. Edmund Burke summarized the constrained political vision when he wrote of "a radical infirmity in all human contrivances."

In the unconstrained vision, man's moral nature is, according to William Godwin (1756-1836), fundamentally "generous and magnanimous." Man's intellectual capacity, too, is limited but "indefinite." In this view, Sowell points out, "knowledge is synonymous with articulated rationality," the kind of timeless armchair knowledge of humanist intellectuals. With these capacities at man's disposal, Godwin concluded, "Reason is . . . sufficient . . . for regulating the actions of mankind."

Despite their contradicting axioms, both visions make the common good paramount, as opposed to individual self-interest. Yet they differ completely on how the common good is to be achieved.

In the constrained vision, social benefits result from the systemic effects of people pursuing their individual self-interests within the limits set by law and custom. Salutary effects emerge largely unintended. Good intentions are likely to be positively dangerous when forced

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Thomas Sowell, the author of *A Conflict of Visions*

on society by the overweening confidence of inherently flawed men.

In the unconstrained vision, man's moral and intellectual capabilities allow him to put aside self-interest and to directly produce the common good. Thus George Bernard Shaw wrote that existing society is "only an artificial system susceptible of almost infinite modification in readjustment—nay, of practical demolition and substitution at the will of Man."

The contrast between visions manifests itself politically in the constrained acceptance of "trade-offs" versus the unconstrained insistence on "solutions." For example, the constrained vision accepts "unmerited" economic inequalities in a market economy as a trade-off for the market's systemic production of the common goods of general prosperity and freedom, which would be destroyed by egalitarian central planning. But in pure unconstrained visions, direct intervention can create equality with no sacrifice of freedom and general prosperity. The problem of inequality is solvable.

Given the general outline of such conflicts, it is surprising what these polar visions *don't* necessarily imply. "The constrained vision [is] not synonymous with . . . acceptance of the status quo," Sowell shows. Smith opposed slavery, advocated American independence and proposed numerous domestic reforms. Nor is the unconstrained view necessarily radical. "In supporting private property and a free market," Sowell observes, "Godwin was at one with Smith, with Hayek, and with modern libertarianism."

Hybrid Visions

There are also hybrid visions such as Marxism, which sees man as progressing from heavily constrained to unconstrained economic systems as the dialectic of history unfolds. Some forms of libertarianism, too, combine strong constraints on individual knowledge of market data with broad latitude for rationalistic construction of political systems. When Murray Rothbard, in *For a New Liberty* [1978 ed., pp. 238-239], advocates anarchism with the argument that "When we contemplate *any* sort of new [socio-political] system . . . we must *first* decide whether we want to see it brought about . . . and *then* consider whether the system could work. . . . [Why not] first assume that it has been established *everywhere* and see whether we like it?" he is writing, with Godwin, in the unconstrained tradition of rational constructivism opposed by Hayek, a classical liberal libertarian.

These examples illustrate the tremendous value of *A Conflict of Visions*. Sowell's book helps us to see below the surfaces of others' views and our own; it enables us to understand and question more deeply. Readers familiar with Sowell's other works will know that he is toward the "constrained" end of the spectrum, a strong advocate of classical economic and political liberty. But instead of mangling his opponents, Sowell respects the complexities of their arguments and visions (as well as those with which he is largely in agreement) and treats them without rancor. It is a rare triumph for a philosophical work to clarify so much so well. □

(Mr. Stewart is an advertising copywriter and a free-lance writer in Rochester Hills, Michigan.)

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The ideal of freedom is to let anyone do anything he pleases, as long as his behavior is peaceful, with government empowered to keep the peace—and nothing more. An ideal objective, true, but one that must be pursued if we would halt the continuing descent of our society from bad to worse. Nothing short of this will suffice. And unless we fully understand the ideal—and what makes for its attainment—we'll tend to settle for powerless, futile little pushes and shoves that yield no more than a false sense of something done.

—Leonard E. Read

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